

Adria	5122	Indonesia	8130	Portugal	5210
Algeria	5122	Iran	8130	Saudi Arabia	5210
Argentina	5122	Italy	1160	Singapore	5210
Australia	5122	Japan	1160	Spain	5210
Belgium	5122	Kenya	1160	Switzerland	5210
Canada	5122	Malaysia	1160	Taiwan	5210
Denmark	5122	Malta	1160	Thailand	5210
France	5122	Mexico	1160	Turkey	5210
Germany	5122	Norway	1160	USA	5210
Greece	5122	Poland	1160		
Holland	5122	Romania	1160		
India	5122	Soviet Union	1160		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,352

Friday October 2 1987

D 8523 A

Baker-Lawson plan:
almost a meeting
of minds, Page 26

World News Business Summary

Earthquake cuts power supplies in Los Angeles

An earthquake measuring 6.1 on the Richter scale shook Los Angeles, severing power supplies in parts of the city and sending thousands of people running into the streets. The city fire department advised people to evacuate all high-rise buildings as soon as possible. The earthquake, followed by several aftershocks, appeared to be the biggest tremor to hit the city since 1971 when 64 people died. Early reports said three people were killed and dozens injured. Major airports around Los Angeles were closed for damage inspection. Traders raced off the floor of the Pacific Stock Exchange but returned after a few minutes. They were later advised to leave buildings. Broken glass from thousands of broken windows littered streets and there were reports of landslides and one building on fire.

Hill Samuel discusses takeover by TSB

HILL SAMUEL, British merchant bank, suspended share dealings while it negotiated the terms of a takeover by Trustee Savings Bank and Barclays de Zoete Wedd. An announcement of the agreement is expected on Monday, Page 29.

Soviets test missile

The Soviet Union fired two nuclear test missiles into the Pacific Ocean several hundred miles north-west of Hawaii, despite strong US protests expressing "serious concern about missile tests conducted so close to US soil".

Filipino autocracy

Filipi announced an indefinite period as a military autocracy after Col. Corason Aquino, armed forces commander, formally revoked the 1970 constitution and prepared to transform the state into a republic dominated by ethnic Filipinos, Page 23.

Swedish sanctions

Sweden announced a unilateral trade ban with South Africa and urged the rest of the world to follow its example. Some 204 companies were ordered to stop trading with Pretoria.

Natal floods toll

Officials reported 138 people killed in floods swamping South Africa's Natal province as forecasters warned of more downpours. Storms destroyed bridges, roads, railways and caused a drinking water shortage in Durban.

Drugs airliner seized

The US Customs Service seized a DC-10 airliner owned by Ecuador's state airline that was carrying 35m worth of cocaine into the US in August. Three people were arrested.

Sikh gunmen kill nine

Sikh gunmen opened fire in a Punjab village, killing nine people including two Sikhs mistaken for Hindus.

N-plant closed

A nuclear fuel processing plant in Hanau, near Frankfurt, was closed for safety improvements after criticism by local officials.

French envoy expelled

Vanuatu ordered the French ambassador to leave within seven days, accusing him of interfering in the South Pacific island's internal affairs.

'Balance books' call

The Norwegian Government's chief accountant called on armed forces to put their accounts in order after discovering the books did not balance. An armed forces spokesman said there was an acute shortage of staff qualified in book-keeping.

Auditors refused bail

Brunei's High Court refused bail to two auditors - a Briton and a Singaporean - charged in connection with the country's biggest banking scandal involving loans of 730m Brunei dollars (\$322m) made by the National Bank of Brunei.

Chance discovery

Thal investigators found high-technology cheating devices in the contraption used to select prize numbers in the fortnightly national lottery - which offers a top prize of more than \$580,000.

GEC and Plessey plan merger of telecoms business

BY TERRY DODSWORTH AND DAVID THOMAS IN LONDON

GENERAL Electric Company and Plessey, two of Britain's largest electronics companies, are merging their telecommunications equipment interests in an attempt to create a powerful new force in world markets. The merger, which follows a spate of rationalisation in the world telecommunications industry, will create a joint venture company with annual sales of more than £1.2bn (\$1.94bn). Operating profits are believed to be about £100m, its assets will be about £200m, and it will start off with a workforce of about 23,000, though this is expected to be reduced by rationalisation.

Although the combined company will still be smaller than the giants of the world industry, the deal is aimed at giving it a competitive edge in a market reduced cost base to compete more effectively in international markets. The merger will resolve a history of difficult relations between the two companies which culminated in a veto last year by the Monopolies and Mergers Commission of GEC's hostile bid for Plessey.

The two companies have fallen several times in the past four years to sort out their overlapping interests in System X, Britain's flagship digital public telephone exchange. Although the two companies have developed System X, manufacturing of the exchange has been kept separate.

However, yesterday's agreement goes beyond System X to include all the telecommunications

Company	Telecom sales (\$m)
AT&T (US)	7,590
Alcatel (France/US)	5,435
Siemens (W. Germany)	2,530
Northern Telecom (Canada)	2,460
LM Ericsson (Sweden)	2,010
NEC (Japan)	2,010
STC (US)	1,710
Philips (Netherlands)	893
GEC (UK)	746
Fujitsu (Japan)	744
Plessey (UK)	677
Italtel (Italy)	470

*1984 figures. Source: Monopolies and Mergers Commission.

interests of both groups, including private exchanges, transmission and data communications. It also takes in Stromberg-Carlson, Plessey's Florida-based exchange subsidiary, which has recently broken into the two companies' operating market in the US.

Lord Weinstock, GEC's managing director, and Sir John Clark, Plessey's chairman, are two of the most colourful characters in British industry who have not always seen eye to eye. They were brought into the negotiations about three weeks ago. After their intervention, the talks became highly intensive.

Plessey, which described the move as "incredibly bold," said that because of the move towards greater integration of telecommunications equip-

ment, it would not have made sense to merge just System X. The two companies said they planned to use early meetings with British Telecom and Mercury Communications, the UK telephone network operators, as well as with the British Government.

Mr Stephen Wallis, Plessey's finance director, said last night that there was always a possibility of a further reference to the Monopolies Commission, but "we would hope that that would not be the case. I think it is extremely important for Great Britain Ltd to have one telecommunications group."

Although the Commission backed the rationalisation of the companies' System X interests in last year's investigation, it also concluded that a merger might have some adverse impact on competition in the supply of private exchanges and transmission equipment, where the two companies combined would dominate the UK market. ST, although welcoming last night the resolution of the System X issue, also hinted strongly that it might want a review of the conditions placed by the Monopolies Commission last year on their purchase of a 51 per cent stake in Mitel, the Canadian telecommunications equipment manufacturer.

In detailed talks over the next few months, the joint team will have to resolve exactly how to fit the two companies together financially. Plessey contribution to the new group will be slightly larger.

Lex, Page 25

Budget failure brings EC financial crisis to a head

BY QUENTIN PEEL IN LUXEMBOURG

THE FINANCIAL crisis facing the European Community was brought to a head yesterday when a meeting of the member states' budget ministers collapsed in disarray, abandoning the effort to draft a budget for the coming year.

The failure to reach any agreement on spending for the whole range of EC policies, from agriculture to research and development, estimated at Ecu41bn (\$46.3bn) by the European Commission - is set to precipitate a major clash between the institutions of the Community, and embitter the current negotiations for a long-term overhaul of EC finances.

The Commission immediately served notice that it will take the member states to the European Court of Justice to force them to finance the budget if they fail to agree by midnight on Monday night - the deadline fixed by the Treaty of Rome.

Mr Henning Christoffersen, the EC Budget Commissioner, suggested that the court might even require the member states to pay more to Brussels to finance their agreed EC policies - even if their national parliaments disagree.

A last-ditch effort will be made this week by the 12 foreign ministers to overcome the deadlock, caused when the UK, Spain and Greece refused to back a compromise deal supported by the other nine members. An informal meeting of the foreign ministers in Denmark, which would normally have been dominated by the issues of the Gulf War and nuclear disarmament, will now have to grapple with the EC cash crisis as well.

The renewed crisis goes to the heart of the gap in EC finances, precipitated largely by the soaring cost of the Common Agricultural Policy, and compounded by shrinking contributions by the member states.

The Ecu41bn budget sought by the European Commission can only be financed up to Ecu35.27bn by the present legal level of national contributions, and the member states cannot agree on how to fill the gap without a major overhaul of the system.

The lack of a budget will maintain maximum pressure on the member states to reach an agreement on long-term financing at the Copenhagen EC summit in December - but it also means that much of 1988 spending will have to be limited to emergency funding, far below forecast spending levels.

That outcome certainly suits the UK Government, which refuses to countenance any increase in EC funding until the Common Agricultural Policy has been brought under control. A total of Ecu27bn in the Ecu41bn preliminary draft budget was earmarked for the CAP, much of it for crop storage costs and export subsidies on otherwise unsaleable surplus food.

Spain also blocked any agreement yesterday in order not to prejudice the reforms it wants to switch spending from agriculture to social and regional policies, while Greece refused to accept any deal below the Commission draft.

In spite of the deadlock, the Danish chairman of yesterday's meeting, Mr Knud-Erik Tygebrandt, said that a qualified majority for a compromise budget of Ecu39.3bn - but he finally failed to persuade any of the three opponents to abandon their opposition.

Luxembourg, some dispute, Page 3

Soaring Tokyo land prices lead to diplomats' anger over rents

BY IAN ROOGER IN TOKYO

TOKYO'S LAND prices have become so outrageous that even the diplomatic community is complaining about them.

This week, representatives of 34 foreign embassies in Japan launched a campaign to press the Japanese Government to put up low-rent buildings to house their offices.

Embassies have been hard hit by rent increases arising from the spectacular rise in Tokyo land prices in recent years. This, coupled with the rise in the value of the yen, has forced many missions to reduce their operations.

The British Embassy, for example, has begun a programme

to expand office and residential capacity in its spacious compound in central Tokyo so that fewer houses and offices have to be rented on the open market. The Australian Embassy is selling off a large portion of its estate in south Tokyo.

Representatives of 34 African, Middle Eastern and South American countries are to press the Japanese Foreign Ministry to put up buildings for them. A Foreign Ministry official said yesterday that the ministry was aware of the problem and had formed a task force to try to find a solution.

Tokyo's land prices have been pushed up, partly by the rapid

expansion of the financial services industry in the city centre. This week it was revealed by the National Land Agency that land prices in Tokyo had soared by an average of 86.7 per cent in the 12 months to June 30 1987.

Residential land prices in the city rose by 83 per cent. According to the agency, land in Ginza in downtown Tokyo is now valued at Y32m (\$219,196) per square metre.

The Tokyo metropolitan government, under growing pressure to prevent further increases, announced this week that it would extend its control over land trading in the city.

Brazilian creditors to oppose Milliet debt plan

By Alexander Nicol in Washington

BRAZIL'S leading creditor banks will today make clear their strong opposition to the spirit and substance of a debt proposal put to them by Mr Fernando Collor, Brazil's central bank president, a week ago.

Mr Milliet and other Brazilian officials will meet the 14-bank advisory committee in New York for talks seen as crucial in breaking the deadlock over Brazil's seven-month old interest payments moratorium.

Brazil's debt problems have highlighted deepening concerns about the Third World debt crisis at this week's International Monetary Fund and World Bank meetings in Washington.

Most banks appear united in their belief that, as presented, the Brazilian proposal does not in itself form a basis for negotiation and is in any case too vague.

Brazil, which has paid no interest to banks since February, has asked for \$10.4bn in new loans, lower and capped interest rates, and conversion of some debt into bonds.

Banks particularly object to the lack of linkage with any arrangement on economic policies with the IMF, providing Brazil could convince creditors to relax its public sector deficit.

However, the absence of an agreement with the IMF means that Brazil is due to pay the fund nearly \$2bn this year and next. Banks would not lend money which could immediately be used to repay the fund.

The key question facing banks has been how to respond in a way which would get the dialogue going.

Banks feel this is in their interest and in Brazil's interest because US reserves may on October 28 downgrade Brazilian loans if there is little sign that Brazil will soon resume interest payments. This would force new loans on US banks.

A downgrading would substantially impair the chances of reaching a new loan deal with Brazil.

Continued dialogue is also necessary, bankers believe, because Brazil has recently suffered an erosion of its short-term trade and interbank lines. Some banks put the erosion at \$600m out of the total of about \$1.6bn.

Some bankers have suggested an interim counter-proposal which would restore the flow of interest payments while guaranteeing the level of short-term loans.

A delay in negotiating a full-scale deal would allow the domestic political situation in Brazil to become clearer.

Luxembourg, some dispute, Page 3

Gorbachev offers talks to cut navies

BY PATRICK COCKBURN IN MOSCOW

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday offered talks between the Warsaw Pact and Nato on reducing naval activity in the Baltic and Arctic seas in a wide-ranging policy speech at the naval base of Murmansk.

Mr Gorbachev said the Soviet Union was prepared to discuss "the withdrawal of submarines armed with ballistic missiles from the Soviet Baltic fleet" as part of a six-part programme to lower the level of confrontation in and around northern Europe.

In his first speech for over seven weeks the Soviet leader also sounded optimistic about his planned summit meeting with US President Ronald Reagan, which is expected to take place in Washington in November.

He suggested the summit might set off a sort of peaceful chain reaction in the sphere of strategic offensive arms and non-combatant of armaments in space.

Mr Gorbachev said that there were also signs of progress on a nuclear test ban which he said showed the Soviet unilateral ban which ended earlier this year had not been in vain.

Mr Gorbachev's six-part plan for to reduce tension in and around the far north of Europe combines military and economic measures.

These include the establishment of a nuclear free zone in the region, including the possible withdrawal of Soviet nuclear submarines from the Baltic. The Soviet leader said Moscow had already unilaterally dismantled all its medium range missile launchers on the Kola peninsula just to the east of Finland as well as most of the medium range missile launchers in the Leningrad and Baltic regions.

He also proposed co-operation in the exploitation of the resources of the north, including the Soviet Kola peninsula, as well as in scientific study of the arctic.

Elsewhere in his speech Mr Gorbachev defended his plans for economic reconstruction. He explained why the Government was planning to raise prices of some items. He said that everywhere he went "people spoke about prices". Earlier in his tour of Murmansk Mr Gorbachev described his restructuring of Soviet political and economic management as "a revolution without shots" and said that the next 12 months would be critical for its success or failure.

He said that the price of basic foodstuffs was too low and of other consumer goods too high because of the system of state subsidies.

David Buchanan, Defence Correspondent, adds: In proposing reduced East-West naval activity in the north east Atlantic and Baltic, Mr Gorbachev would appear to be reflecting growing apprehension - not entirely confined to the Soviet Union and Warsaw Pact - about the newly aggressive US forward strategy designed, in time of war, to confine the very large Soviet north-

Continued on Page 28

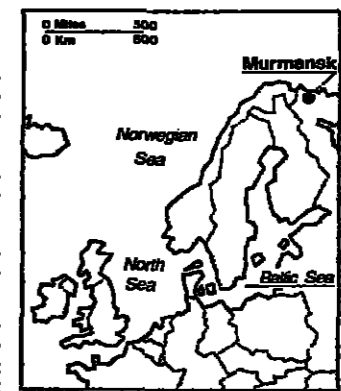
ABF launches offer for UK's Berisford

BY CLAY HARRIS

ASSOCIATED British Foods, the UK-based flour-milling, bread and biscuits group controlled by the Canadian Weston family, yesterday launched a cash offer for S&W Berisford which values the UK best sugar refiner and commodity trader at £767m (\$1.24bn).

Berisford immediately rejected the "totally unwelcome and unsolicited bid" from ABF, which has owned a 23.7 per cent stake in the group since May.

Previous full or partial bids



ing the Soviet Kola peninsula, as well as in scientific study of the arctic.

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Oppenheimer

Three year performance to 1st September

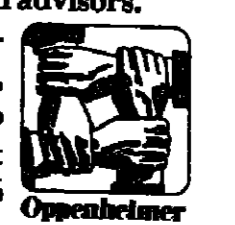
Trust	Percentage increase in value	Position and total number in sector
UK Growth	+289.7	6th 100
European	+228.9	1st 22
Income & Growth	+200.7	3rd 76
Worldwide Recovery	+180.1	4th 81
Pacific	+162.0	6th 32
Practical	+133.3	1st 5
International	+130.7	13th 81
Japan	+119.8	25th 36
High Income	+106.7	10th 13
American	+53.4	23rd 64

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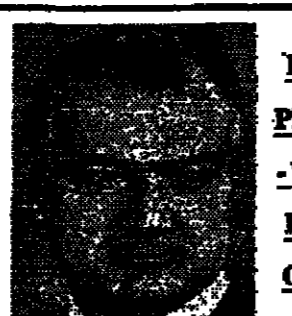
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Mexico's President Miguel de la Madrid is assured of unanimous support for whoever he chooses as his successor, Page 28

HAIL THE PRESIDENT - WHOEVER HE TURNS OUT TO BE

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Double-barrelled assault delivers serious blow to Basque separatists

BY TOM BURNS IN MADRID

WITHIN THREE hours of the arrest of the Eta leader Santiago Arrospe, early on Tuesday morning by French police in the Pyrenean village of Anglet, five Spanish anti-terrorist experts were sitting in on the preliminary interrogation of the detainee in Bayona.

The immediate consequence of this speedy co-operation between the police forces of the two countries was a series of swoops that started on Tuesday evening and continued through yesterday in Spain's Basque country. Suspects were arrested

and arms caches and safe houses discovered.

Mr Arrospe, better known as Santi Putros, a non-de-guerre he has used during a 19-year career in Eta, the Basque separatist movement, and which became a household name when he emerged as the organisation's chief strategist 18 months ago, had about £400,000 in different currencies in his possession when the gendarmes knocked on the door of his hide-out. Much more importantly, he had 15 kg of Eta-related documents.

Claims that Euzkadi Ta

Askatasuna (Basque Fatherland and Freedom) has been driven into its final corner have been made in the past. But they have never rung truer than at present. As the Madrid anti-terrorist establishment sees it, the carefully nurtured collaboration with France is now paying genuinely big dividends.

The rich picking at Anglet have, as a clear precedent, an operation last November against a furniture factory in the border town of Hendaye that was used by Eta as a key operations centre. A considerable number of documents seized by

the Spanish police provided a series of leads that helped in the succeeding months track down commandos of Eta gunmen and bombers in San Sebastian, Madrid and, most recently, Barcelona.

Yesterday Mr Jose Barionuevo, the Spanish Interior Minister, said the Anglet documents appeared to be more important than those confiscated in Hendaye because they allowed even greater insights into Eta's internal structure.

The speed with which Spanish police were informed of Mr

Arrospe's arrest and then invited to monitor his interrogation is viewed as a qualitative leap forward in the collaboration between the two security forces. In addition, the arrest puts paid to the complaint voiced in the past by Madrid's security chiefs that France was cracking down on rank-and-file Eta suspects in the border area but maintaining a hands-off policy towards the organisation's leaders.

Few doubt now the determination by the Government of Mr Jacques Chirac to drive Eta out of south-west France. At

the time of the Hendaye operation, 11 months ago, a total of 16 Eta suspects had been handed over by France to the Spanish police under a new policy of summary expulsions that Mr Chirac introduced in July 1986. The number of handovers currently stands at 92.

Mr Arrospe, whose extradition was requested yesterday, will either be the ninety-third Eta member to be returned to Spain or will stand trial in France should the Bayonne magistrates pursue the fact that he was armed with a pistol. Just why there should have

been such a "qualitative leap forward" is open to speculation. But the most reasonable explanation has to do with a number of signals that the Madrid Government has issued in recent weeks calling for a "dialogue" with Eta to negotiate its surrender. Prime Minister Felipe Gonzalez touched on the subject when he visited President Francois Mitterrand at the end of the summer.

Eta's response has been a vitriolic statement which made impossible demands about self-determination and a car

bomb blast in the centre of San Sebastian last weekend that killed one policeman and miraculously failed to injure any bystanders.

Accordingly, the French Government has abandoned whatever hopes it may have harboured for steering through a negotiated settlement and moved its collaboration in the battle against Eta into top gear. Mr Arrospe is in fact held to represent the most hardline sector of Basque separatism.

It is this development that, as Madrid sees it, drives Eta into its final corner.

West Germans urged to take a narrower view of the Fatherland

BY DAVID MARSH IN BONN

WEST GERMANY should give up any question of reunification with East Germany and accept that the patriotic concept of the "Fatherland" covers solely the territory of the Federal Republic.

This provocative thesis, countering the official line of all Bonn governments since 1949 that the two German states form a single nation, was set out last night by Mr Richard Nospers, the mayor of the West German town of Saarbrücken, a member of the federal opposition Social Democratic Party (SPD).

His speech is likely to add to the debate over inter-German relations stoked up by the visit here last month of Mr Erich Honecker, the East German leader. Saarbrücken last year was the first West German town to sign a "twinning" arrangement with an East German community, the steel city of Eisenhüttenstadt.

Even though the West German Basic Law (provisional constitution) of 1949 sets down reunification as a fundamental state aim, popular opinion has been growing in the Federal

Republic that East Germany forms a separate sovereign country. This feeling has been reinforced by Mr Honecker's ceremonial reception in Bonn last month, complete with the flying of the East German flag and playing of the country's national anthem.

Mr Nospers said last night that West Germany should abolish the annual June 17 Unity Day holiday, and be labelled as hypocrites people who wanted to restore a "phantom" unified Germany.

By evoking the *Vaterland* in his appeal for Germans to focus

their patriotic feelings simply on the Federal Republic, Mr Nospers set down a plain challenge to Chancellor Helmut Kohl, who continually uses the term to embrace both East and West Germany.

The Saarbrücken mayor's speech took further the line promoted by the SPD that Bonn needs to give full recognition to the East German state as a means of improving human rights there.

On a question which has been a sticking point in East-West German relations, Mr Nospers said West Germany should

recognise that East Germans had separate citizenship, just as it did in the case of countries like France, Austria or Poland. He termed "imperialistic" Bonn's present policy of giving East Germans automatic right to West German citizenship.

Pointing out that German history did not start with Bismarck, he also attacked as unsound the notion that the German nation should apply to the area delineated by the Bismarckian Empire of 1871.

Mr Nospers' speech comes closely after Mr Honecker again this week rejected as illusory

any ideas of German reunification.

The mayor's speech also underlines how both left and right in West Germany are increasingly appealing to citizens' newfound pride in their state. Mr Willy Brandt, the former SPD chairman, in his emotional retirement speech last June, twice mentioned the word *Vaterland*, although his remark that the Fatherland had become smaller drew criticism from right-wingers who accused him of renouncing Bonn's duty also to represent East Germans.

Portugal eases curbs on currency dealings

BY DIANA SMITH IN LISBON

PORTUGAL'S foreign currency market underwent a small revolution yesterday when the Bank of Portugal ceased to fix the selling rate of the escudo and the interbank market itself began to determine fixing according to volume and rates of trading in the crucial midday period when banks deal in foreign currency with each other.

At the same time, the escudo ceased to be the currency of reference in spot market dealings, which are now carried out with the daily dollar rate as reference. That is, banks wishing to buy D-Marks or sterling trade on the basis of the dollar rate, without reference to the escudo.

Until now, the Bank of Portugal has determined the daily fixing of a basket of the most frequently traded 21 currencies, on the basis of international market rates and internal factors like reserve positions. From now on, the Bank of Portugal merely announces the daily dollar indicative rate, based on international rates, the market then trades at what price it will bear. On the first day of freely-fixed trading, the dollar rate announced by the Bank of Portugal for selling was Es 145.081, 45 minutes later the closing price was Es 145.098.

Market sources praised the smoothness of the first day's liberalised trading, for which dealers have been taking special courses.

The innovation is the latest in two years of gradual liberalisation of a foreign exchange market, once so rigidly controlled by the Bank of Portugal that all transactions had to pass through the bureaucracy of the central bank. This meant that a bank might clear as little as \$550 on a \$1m operation.

The Bank of Portugal has warned, meanwhile, in its latest economic bulletin that the pressure of private consumption and the worryingly-high volume of liquid assets in the hands of the public are likely to cause further credit restrictions.

In an attempt to stem a spate of private spending released after two punishing years of austerity in 1983-85, the Cavaco Silva government has already tightened monthly credit ceilings for banks, made hire purchase more costly, raised the price of mortgages for the first 10 years, and last weekend increased the price of petrol and other oil derivatives.



Cavaco: spending curbs

Dos Santos visit brings Angola a little closer

BY OUR LISBON CORRESPONDENT

THIS WEEK'S five-day state visit by Portugal's President Jose Eduardo dos Santos which focused strongly on contacts with Portuguese businessmen has made it possible, in his words, to "begin a new chapter in Luso-Angolan relations."

In recent years, Angola's war-imperilled economy, Portugal's inability to offer the sort of credit that richened European countries, and the active presence in Portugal of sympathisers of the South African-backed Unita rebel movement have not favoured strong economic ties.

Many Portuguese governments have faltered in their dealings with Portugal's potentially-rich former colony, but Mr Anibal Cavaco Silva's administration set a no-nonsense tone which culminated in Mr

dos Santos's visit—the first state visit by an Angolan leader.

With the signature of an economic and technical co-operation agreement, plus a series of training in Portugal of Angolan teachers, and Portuguese assistance with the Angolan media, the stage is now set for livelier relations.

Mr dos Santos repeatedly appealed to Portuguese businessmen to seek opportunities in his country, reminding them that economic restructuring is on the cards, including a review of foreign investment legislation.

There is no doubt that many Portuguese have nostalgic feelings for Angola, and the country's potential in oil and minerals, diamonds, coffee and other agricultural products would be highly attractive were Angola not riven by war between the ruling Marxist MPLA and Unita.

Senior Hungarian official assails austerity policy

BY LESLIE COLLIT IN BERLIN

A SENIOR Hungarian Communist Party official has levelled devastating criticisms at the country's leadership for not permitting "alternative" policies to its unpopular economic austerity programme adopted by Parliament last month.

Mr Imre Pozsgay, secretary general of the Patriotic People's Front, a Communist-dominated body which includes all mass organisations, said the Front's support last week for the austerity programme amounted to a "rubber stamping" of the party's decision.

His remarks were made in an interview with Radio Budapest last Saturday which has now reached the West.

The Hungarian official said the "leading role" of the party could not be envisaged without alternatives being presented in the decision-making process. But if the "decision-making merely amounts to blessing a decision already taken — rubber stamping it, if you like — then those who rubber stamped it do not feel compelled outside the chambers to represent it."

Mr Pozsgay is regarded as a radical liberaliser by party conservatives but is extremely popular among party members and non-affiliated Hungarians who want wide-ranging changes in political life. The leadership itself has admitted that it can only expect the population to support its economic belt-tightening by democratising political institutions.

Mr Pozsgay said the party's delay in announcing plans to democratise its organisation and the trade unions made it vulnerable to the "accusation of secrecy and qualified the whole matter as a tactical move" at a time of troubles.

Earlier, in a speech to the Front, he warned that in order to ensure that the present economic crisis does not develop into a "political crisis, open and modern political life is needed." He also remarked that not one of the countries which had overthrown the world economic crisis was a Socialist country.

"This is something that makes one think over our entire structure," he said.

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FINANCIAL TIMES

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EUROPEAN NEWS

SPIRALLING COSTS PUT PARTICIPATION IN JEOPARDY

Bonn doubts grow over Eurofighter

BY PETER BRUCE IN BONN

THE FATE of West German participation in the embryonic four-nation Eurofighter (EFA) project is likely to rest with a special West German cabinet meeting at Bonn's Defence Ministry complex on the outskirts of the city on November 11, according to politicians and officials here.

The meeting, called to discuss an extension of the Defence Ministry's medium term finance plans to 1991, also seems likely to focus on two expensive projects, the observers say, and may have to decide between the EFA and an anti-tank helicopter, the PAH2, which Bonn and Paris are trying to build.

West Germany faces costs of about DM 9bn (Ebn) if it goes ahead with the PAH2, more than double what was first planned. The EFA would cost

Bonn about DM 10bn to produce, also much more than planned because of increases in West German VAT and France's withdrawal from the project.

There is, apparently, growing opposition to the EFA from within the Defence Ministry itself, with army and navy officers fearing that their own budgets could be badly dented if the project is allowed to go ahead. In Parliament, the opposition Social Democrats (SPD) have called for the EFA project to be scrapped, and even in the senior government party, Chancellor Helmut Kohl's Christian Democrats (CDU), enthusiasm is said to be on the wane.

A Defence Ministry spokesman said yesterday that the Government would have to decide by the turn of the year at the latest whether to move

from the present project definition phase to the development phase.

Mr Gerhard Stoltenberg, the Finance Minister, has come under unexpected and severe budgetary pressure for this year and next year, and conventional wisdom in Bonn seems to be that the PAH2 helicopter will survive but that the EFA is a less secure bet. West Germany has just had its first joint military exercises with the French and the day after the special Cabinet sitting, President Francois Mitterrand and Chancellor Kohl meet in Karlsruhe. Bonn is keen to have the PAH2 question settled by then.

France broke with the EFA partners—Britain, West Germany, Italy and Spain—because it wanted to build a lighter aircraft than they did. The French are now understood to be toying

with a heavier version of their proposal—the Rafale—and may try to lure Bonn away from the EFA consortium.

That seems highly unlikely to succeed, though. It would outrage the British and Italians, for one, and leave the West Germans playing second fiddle again to the French on a major arms project. It is possible though that Bonn may look more closely at updating the McDonnell-Douglas F-18.

The cabinet will be under great pressure to approve EFA development spending when it meets on November 11 because Karlsruhe, Bonn's Ministry of Defence is likely by then to have recommended the cabinet to go ahead with the project. If Bonn does decide to stay with the project, its decision would still have to be approved by the Bundestag's increasingly sceptical defence and budget committees.

Protest greets French remand reform plan
Legal 'revolution' threatens investigating magistrates

BY GEORGE GRAHAM IN PARIS



Albin Chalandon (above), the Justice Minister, considers France's 'juges d'instruction' to be 'too young, too inexperienced and far too quick to throw their suspects in jail.' But the institution dates from Napoleonic times and proposals for change have been met with cries of outrage

But it is not just the law courts budget that Mr Chalandon is aiming at. His reform is aimed also at the other main problem faced by his Justice Ministry: the congestion of the French prison system.

With a total of 33,000 places available, the French prison system now has 49,000 inmates. Of these, 43 per cent have yet to face trial. This figure was even worse a year ago, but is still significantly higher than in West Germany (24 per cent) or the UK (20 per cent).

Mr Chalandon, who has aroused considerable opposition with some of his other proposals for dealing with prison overcrowding, such as the building of private prisons, aims to reduce the percentage to 30 to 33 per cent over the next two years with his reform of the *juges d'instruction* procedures.

Besides the economic argument, the extraordinarily high number of prisoners who have yet to face trial means a considerable number of miscarriages of justice. Last year, 2,246 people who had been remanded in custody were eventually acquitted or released.

Among the cases which aroused popular attention was that of Mrs Marie-France Titecau, who spent a year in prison in 1984 charged with the murder of her boyfriend's mother. Although eventually released from custody, she then spent a further year still charged with murder until another culprit was found.

For the judges, the reform is just another variant in a long-running war against them and their reputation.

"The investigating magistrates are the only people who are in touch on the ground and with the police and who fully understand the dossiers. The idea is a panel of judges may be reassuring to public opinion but it is not adequate," said the central magistrates' union.

"The Minister of Justice wants this reform to reduce the number of people remanded in custody. In fact, the situation would be likely to get worse," argued the French association of investigating judges.

With the Badinter reform hovering, however, the one thing Mr Chalandon cannot do is leave the system as it is.

Nuclear arms on Franco-UK talks agenda

BY IAN DAVIDSON

NUCLEAR ISSUES were expected to be on the agenda when Mr George Younger, the British Defence Secretary, and Mr Andre Girard, his French counterpart, held one of their regular discussions of Anglo-French defence co-operation in Paris yesterday.

Officially, the French Defence Ministry declined to reveal the content of the talks. British sources were at pains to discourage speculation that nuclear questions would figure prominently on the agenda, and implied that a much higher priority was being attached to such issues as military co-operation between France and Britain in the Gulf, or co-operation on conventional arms procurement.

This latter issue was given new impetus by the recent conference on arms co-operation held in London, and commercial collaboration such as the recent accord by Alvis of the UK and Panhard of France to develop and market the latter's VBL light armoured car.

Nevertheless, it seems clear that the French Defence Ministry is keen to see media attention being drawn to the issue of Anglo-French nuclear discussions. Yesterday, the *Le Monde* newspaper and the French news agency Agence France Presse both emphasised the nuclear aspect.

The possibility of Anglo-French nuclear co-operation was first broached at a meeting between the two ministers in

Paris last March. At the time, Mr Younger said the aim was to collaborate on all background aspects of the two countries' national nuclear deterrents, including arms control and the strategic environment. He played down the feasibility of discussing the question of joint procurement of nuclear equipment.

By contrast, questions of arms control and the strategic environment have gained new salience from the accelerated progress in the US-Soviet negotiations on the removal of all intermediate-range nuclear forces (INF) from Europe.

Officially, the prospect has received the approval of both the British and the French governments. But there is no

concealing the fact that it has caused considerable private anxiety in Paris. Mr Jacques Chirac, the French Prime Minister, has made his misgivings public, saying that an INF agreement would only be a good agreement if it were the first step towards a wider agreement.

This week, Mr Chirac reiterated his misgivings to Mr George Bush, the US Vice President on a visit to Paris, and stressed the French Government's firm desire to see further progress in other negotiations, especially those on strategic nuclear weapons and conventional forces. After their meeting, Mr Bush said that there were very few differences between Washington and Paris.

UK drives lawnmower through noise curbs

BY WILLIAM DAWKINS IN BRUSSELS

LAWN MOWER noise has become the source of a neighbourly dispute between EC governments.

The row centres on two European Commission proposals for quieter sit-on mowers and new noise limits for the big—mainly British—cylinder mowers which give nobler lawns their velvet sheen. It has become so serious that Denmark, noise conscious president of the Council of Ministers, is to ask the Community's 12 international trade

ministers to seek a way out. The outcome will affect the competitiveness of mower producers across Europe. It is also a telling illustration of how the EC's grand drive to create a fully free internal market can all too often stall on a mole hill.

Most EC mowers already have to meet noise limits set two years ago. However, the Danes only accepted the rules on condition that the Commission prepare proposals for tougher

limits for sit-on mowers. This the Commission has now done, the only problem being that Denmark thinks the suggestion that the noise limit for sit-ons should be cut from 105 decibels to 92 does not go far enough. They want 90 decibels, a level which most member states can accept, even if there are some doubts about the noisy Italians.

The real problem is that the limits for sit-on mowers cannot be agreed unless Britain can persuade its EC partners to sink

their antipathy to its request that cylinder machines get special treatment. Mower noise tests apply to machines running flat out. This is fair enough, says the UK, for rotary mowers, because that is how they are run in normal use. But the bigger cylinder machines are designed to run normally at slow speeds.

The UK wants its cylinder mowers tested at 500m, an idea which the other 11 member states reckon amounts to an unfair advantage.

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IMF AND WORLD BANK MEETINGS

Alexander Nicoll reports from Washington on a confrontation that highlights the frustrations of borrowers and lenders

Bankers goaded into showdown on Brazilian debt

PASSIONS are aroused in the international debt crisis. Brazil's confrontation with its creditors is becoming a showdown. It will determine the future course for many other Third World countries which have been struggling with debt burdens for five years.

Bankers, industrialised governments and multilateral institutions alike have been goaded by the Brazilian case into taking a final stand on the principles which have guided their handling of the protracted crisis.

At the annual meetings of the International Monetary Fund and the World Bank in Washington this week, Brazil has been the focus of the deepening frustrations of both borrowers and lenders.

Developing countries feel that even though they have tried to adjust their economies to the debt problems have only worsened. Treating with foreign creditors along conventional lines is increasingly untenable at home.

Moreover, they argue, banks have already recognized that their debt is substantial by taking large loan loss provisions and marking debt down to deep discounts in the secondary market. Debt strategy is bankrupt, and borrowers should not have to service their debts at face value, they say.

"The situation of debtor countries is unbearable. Though an enormous effort was made, the results have been far below expectations," says Mr Luiz Carlos Bresser Pereira, Brazil's Finance Minister.

Against what threatens to become an inexorable progress towards widespread forced debt forgiveness, creditors are finally digging in. Countries such as Brazil, they say, with large economies and substantial resources, can and should service their debts.

"I don't believe that in Brazil, Mexico, Argentina, Chile or Venezuela we are dealing with countries that don't have the capacity to meet their obligations," argues Mr Bill Butcher, chairman of Chase Manhattan Bank.

Provisions do not mean that we are renouncing our claims," says Mr Jean-Marie Leveque, chairman of Credit Lyonnais.

He and other bank chairmen vehemently oppose Brazil's proposals for converting debt into securities in which the terms take into account the discounted secondary market value. This, Mr Leveque argues,



amounts to cancellation of debt. "We are of the opinion that a debt is a debt. It has to be repaid. Interest is interest. It has to be paid, even if we do accept lower interest rates."

If Brazil were to win what it is seeking, it would be better off than many creditor countries, Mr Leveque says. "I think they go much too far in asking for so many benefits."

Not all bankers take such a hard line. Indeed, many would say privately and a few publicly—such as Mr Alfred Herrhausen of Deutsche Bank—that banks should selectively consider forms of debt forgiveness and have already embarked along that road.

But bankers are united in dismissing the secondary market as extremely thin and as not providing a true indication of the debt's value.

The banks' tough response to Brazil's request for \$10.4bn in loans without any undertakings on the economy—due to be delivered formally at a meeting in New York today—is being bolstered by official actions.

The Paris Club grouping of sovereign creditors has cancelled a rescheduling of Brazilian debt because the country had not met its undertakings. It said that agreement, on an economic programme with the IMF, is a prerequisite for future reschedulings.

The move underlined a circling of official wagons around existing debt strategy which was the predominant theme of this week's Washington meetings.

Mr James Baker, the US Treasury Secretary, reiterated the tenets of the initiative he launched two years ago: economic policy reforms to promote growth, to be financed by additional equity investment and new lending.

He embellished the Baker Plan by calling for a new IMF lending facility which would compensate debtor countries for events they could do nothing about—such as higher interest rates—but would at the same time give debtors added incentive to pursue IMF-approved

economic policy reforms.

Mr Michel Camdessus, small as the new managing director he will shake up IMF lending to cater for the longer-than-expected recovery of debtors from payments problems. But he also restressed the need for co-operative strategy aimed at restoring the debtor countries to external creditworthiness. "There is no satisfactory alternative to this approach."

All sides, however, are in agreement on the plight of the poorest countries, especially those in sub-Saharan Africa for which even relatively small debts are an excessive burden.

Most loans outstanding to these countries are official, and a momentum is building—though painfully slowly—among industrialised countries for a range of measures to aid them.

"The conscience of the developed world has been pricked," says Mr Bernard Chidzero, Zimbabwe's Finance Minister. As a result stepped-up IMF and World Bank lending as well as increased debt relief are likely.

The battleground is not, therefore, the debt of the poorest nations. It is that of middle-income countries, most of them in Latin America. On them, banks—mostly those which feel strengthened by the provisions they have taken this year—are digging in in a last attempt to protect the value of their loans and to ensure that any further money lent will be well spent.

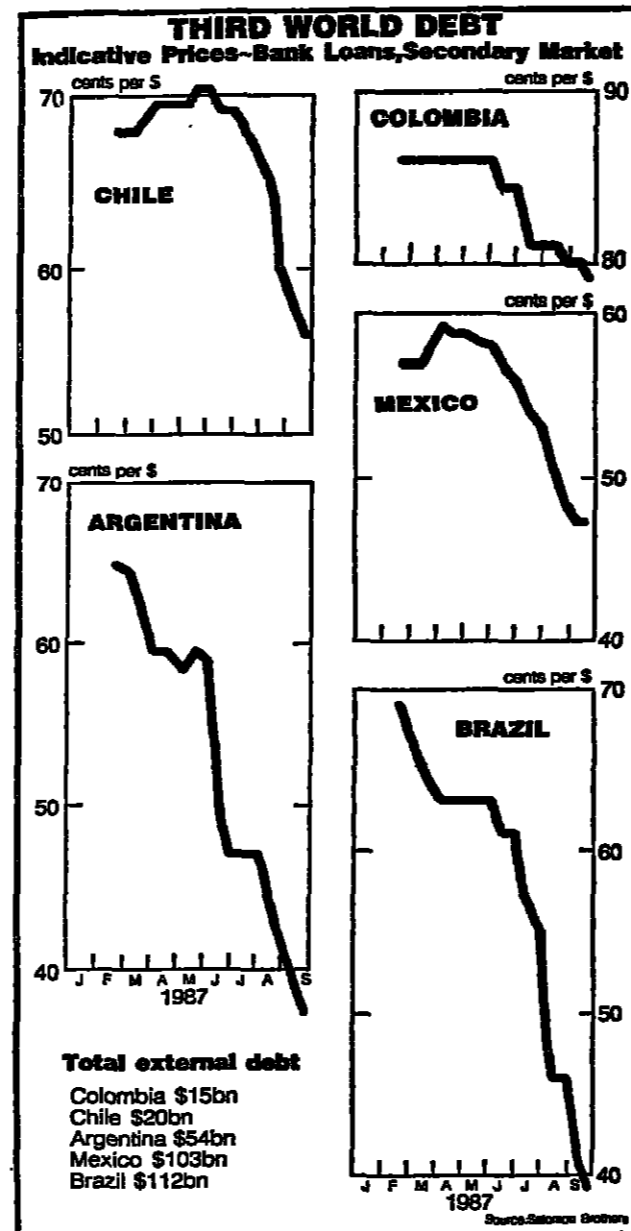
Amassed against them is an array of arguments which suggest that the "muddling-through" of the last five years is proving to be little more than a gradual—and perhaps accelerating—process towards general default.

Debt service ratios have worsened, prices of export commodities remain very low, protectionist pressures are increasing in the developed world, and most recently interest rates have been rising—wiping out the benefit which countries have obtained by negotiating lower interest margins.

Debtor countries, instead of receiving money to help them grow out of their problems, have instead suffered huge outflows of resources in order to pay interest on their debts.

Domestic political climates have meanwhile moved heavily against austere economic adjustments.

A growing number of debtors



have broken ranks, with Brazil halting interest payments to banks in February and Peru almost completely isolating itself from the international financial community.

Underlying warning domestic political support for the conventional approach is the recent electoral setback for President Raul Alfonsín of Argentina. This year his government nego-

tiated an IMF agreement, a Paris Club rescheduling, and a new bank loan and rescheduling. It is already missing some of the economic targets in its IMF programme.

Alongside this bleak picture, it is also possible to sketch a more optimistic one. Mexico, in crisis a year ago, has turned around remarkably with the help of higher oil

prices, has abundant reserves and has enjoyed a return of flight capital.

Venezuela has signed an agreement with the banks under which it will be repaying some debt principal. It plans shortly to seek new voluntary lending.

Chile is in good economic shape and has substantially reduced its debt through more than \$2bn of debt/equity swaps.

Many other countries have carried out economic reforms, enjoyed real growth, reduced their current account and fiscal deficits and benefited from lower interest rates in recent years.

Yet even if one were to accept the second picture—of improving creditworthiness likely to lead to restored access to financial markets—it could become irrelevant.

If Brazil were to win terms significantly more concessional than those obtained by Mexico, every other debtor would seek the same or better—especially those pursuing more orthodox policies, which would see Brazil benefiting from its own economic mismanagement.

"How can you reward Brazil when you don't reward Korea?" asks Sir Kit McMahon, chairman of Midland Bank, arguing that debt forgiveness is a very slippery slope to go down.

A generalised slide into forgiveness would create much more substantial provisions and write-offs—potentially bankrupting some banks—and virtually eliminate the incentive for banks to help finance troubled debtors.

Some would argue that this process is exactly what should happen, and the sooner the better. They say a default would not cut countries off from financial flows indefinitely. Previous defaults in Latin America have been followed quite rapidly by resumption of lending.

It is against this scenario of huge losses that banks are fighting, even if not with a wholly unified front. What weapons are in the hands of banks which want to hold the line?

Banks believe that it is in the interests of countries such as Brazil not to cut themselves off from the international financial community, because they depend upon it for the financing of their day-to-day trade. Short-term trade and interbank credit lines are bankers' last resort. By cutting them, they could make life hard for a debtor country.

Brazil's lines have recently been falling away, bankers report.

Also in the bankers' armoury is the "menu of options" designed to provide a range of financing alternatives including the ability to swap debt into equity.

The menu includes "exit" bonds which would allow banks to escape from being repeatedly asked for new money and replace their loans with securities on more concessional terms.

Package incorporating ingenious new financing methods, however, cannot be agreed unless debtor countries pursue acceptable economic policies.

The complaint of borrowers is that even when they do adopt IMF-endorsed programmes, the finance to support them is intolerably slow in coming. They point out, like Brazil, that commercial bank loans are in any case essentially subject to finance bank interest.

Mr Mario Brodersohn, Argentina's Finance Minister, argues that the long-drawn-out process of negotiating agreements with creditors debilitates economies as well as absorbing the time of the debtor country's financial managers. Then, because of the short-term nature of the agreements, the whole process quickly begins again.

Bankers agree that good behaviour should be better rewarded. "When a country does things right, the financial community ought to be a little more forthcoming," says Mr Butcher of Chase Manhattan. A senior IMF official agrees: "If the policies are there, the money should be there from all sources."

In Brazil, the policies are not there. In the end, the fate of the debt problem will come down to the will of borrowers to carry out domestic economic reforms and the willingness of creditors—governments and banks alike—to support those that do. Progress on both fronts has been shaky.

The alternative for both sides are undesirable: poverty managed or undermanaged; developing countries and huge costs for bank shareholders and taxpayers in industrialised countries. With economic growth remaining sluggish and keeping a lid on debtors' export potential, there is a considerable risk that—despite the stand taken by the developed world this week—this is the path being taken.

Economic adjustment 'key to new financing'

By Alexander Nicoll in Washington

MR BARBER CONABLE, the World Bank President, stressed yesterday that adjustment of economies in developing countries remained essential if they were to have access to external financing.

Adjustment is the key to bringing about new financial flows, he told reporters at the annual meetings of the Bank and the International Monetary Fund near his end.

Mr Conable's remarks underlined the clear message which has this week been sent to developing countries, against their protests that they have already done as much as they can to reform their economies.

If countries did not adjust, Mr Conable said, both commercial banks and the World Bank would simply view new loans as adding to the stock of debt.

He forecast that there would be continuing dialogue between all the players in the Third World debt crisis about the relative burdens which each should shoulder.

Each participant—commercial banks, developing countries, industrialised governments and international institutions—"will all take stands to get a relative advantage in the process of negotiation, which must go on."

Financing mechanisms such as debt/equity swaps would take some time to have a significant impact on the amount of debt outstanding.

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Argentina backs Baker move

BY TIM COONE IN BUENOS AIRES

ARGENTINIAN Finance Minister Mr Mario Brodersohn has described as positive the proposals made this week by Mr James Baker, the US Treasury Secretary, to modify the role of the International Monetary Fund to favour growth in the debtor countries.

Mr Baker's proposals include the creation of an additional financing facility by the Fund and making loan disbursements on a six-monthly rather than a quarterly basis for standby agreements of more than 18 months' duration.

Speaking in Washington to the Argentinian news agency Telam, Mr Brodersohn said that the proposals would resolve all the problems on the foreign debt. But "it is a step in the right direction... Argentina has been in search for some time of a foreign debt can only be paid in the context of growth. In 1985 Mr Baker emphasised the role of the commercial banks. Now he is emphasising and trying to adapt the role of the IMF and the

World Bank to this policy of growth."

Mr Dante Caputo, the Foreign Minister, returned from the US on Wednesday evening after eight days of talks and meetings with US Administration officials including Mr George Shultz, the US Secretary of State.

He also met bank executives and spoke to foreign diplomats at the UN, primarily to discuss the foreign debt issue. In a speech delivered at the UN last week he claimed that the foreign debt problem was "the biggest threat" to Argentina's democracy.

Mr Caputo, along with Mr Juan Sourrouille, the Foreign Minister, were last month called on by President Raul Alfonsín to lead an international campaign on behalf of Argentina to obtain a reduction and freezing of interest rates.

On his return to Argentina, Mr Caputo played down expectations of any major advances towards their goal but was nonetheless positive, saying: "No one expects that

from meetings such as these will come any immediate new plans, but it is very important for us that at various levels in the US government, not only in the economic sphere, but also in the political sphere, that the foreign debt problem has been understood."

In his meeting with Mr Shultz he said that by "special request" of President Alfonsín he had emphasised "to what extent the foreign debt issue is a substantial problem for Argentina."

He added that three points had been emphasised during the various talks—namely, that Argentina did not intend taking unilateral action on the debt issue, that the variation in interest rates was creating instability and uncertainty in the Argentine economy, and that the conditions that have been attached to IMF loans "have further reduced our room for manoeuvre when there are legitimate demands and a need for development."

Mr Baneth said yesterday that there is a remarkable consensus that growth in the industrial countries will remain slow. Where you might find less of a consensus is (on) how bad a thing this is.

He said the rise in US imports over the years had helped other countries by allowing them to sell more goods.

Mr Baneth distributed some updated figures that showed the average income in the US at \$17,450 in 1986, ahead of all but Switzerland, with \$17,570. But its increase last year was slower than in nine other industrial countries: Norway, Sweden, Denmark, West Germany, Australia, Austria, Britain, Italy and Spain.

Mr Baneth has a new table showing average incomes declining last year in country after country: in Rwanda and in Communist-ruled South Yemen by as much as 8 per cent. In Mexico, the financial situation of which is now being praised, the drop in average income last year was from \$2,100 to \$1,850.

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OVERSEAS NEWS

Iranian attacks return Japan to firing line

BY ANDREW GOWERS IN DUBAI

JAPAN HAS been dragged back into the Gulf firing line, with at least two Iranian attacks on Japanese-operated ships confirmed in the last 24 hours.

Dubai shipping agents reported yesterday that two tankers, the 286,425-tonne Liberator registered Western City, on charter to Mitsubishi Oil, and 237,856-tonne Nichiharu Maru, owned by Japan's Nissho Shipping, had been fired on by Iranian gunboats close to the Strait of Hormuz on Wednesday night. There were unconfirmed reports that a third, believed to be called the Nissei Maru, was also hit in the Gulf of Oman.

It was not clear how much damage the ships sustained, though no casualties were reported. The incidents—though not necessarily motivated by any Iranian hostility to Japan—were bound to increase alarm over the Gulf conflict in Tokyo, which has studiously endeavoured to maintain a neutral stance in the war, to keep lines of communication open to both sides and to resist international moves aimed at imposing sanctions on Iran.

Japan has none the less become inextricably associated with Western efforts to contain the war. Japan is especially dependent on Gulf crude, deriving well over half its oil needs from the region. Mr Yasuhiro Nakasone, the Prime Minister, has also promised to try and

AN INSPIRATIONAL banner above the entrance to the Xuanwu housing exchange makes clear to all comers that the home hunt is not going to be easy. "Try 100 times to find a house."

The makeshift exchange, run by a trade union in the south of Peking, is a haven for the hard sell. Shi Guiyang, a 46-year-old former radio factory worker who wants to move closer to her children, carried on a placard the vital statistics of her four-roomed semi-detached and the details of her dream home.

Her chances of swapping are far better than Lao Bao, an elderly man with fatty shoes and a 14 sq m hovel that he wants to leave behind for a small place close to town, preferably with a garden. "I would like some room to plant flowers."

The problem of accommodating a billion people has forced the Government to review its housing strategy and has inspired ordinary Chinese to come up with their own solutions. While finding a home is difficult, moving from an unsatisfactory state-assigned home to something more to your liking

Peking's courtyards give way to high-rise block

Robert Thomson reports on the problems of finding a home in China

is almost impossible—hence, housing swaps.

Urban Chinese can wait up to a decade to be assigned a home and the Government has been encouraging the homeless in mountainous regions to move into caves. An estimated 40m Chinese now live in caves—supposedly cooler in summer and warmer in winter than conventional dwellings—and extra money has been allotted to

In building design, function is far more important than form, so the apartment blocks are all the same

equip them with running water and modern sewerage facilities. "Ghosts" or connections are needed to get most things done in China and are particularly important for house-hunters, who have to rely on their work unit or a central housing bureau to provide them with a rental accommodation. A bribe or an influential relative will

help a young couple jump the queue and during the present crackdown on corruption party cadres "taking advantage of their position" to do housing favours for friends have come under repeated attack.

A just-completed national housing survey has found that the 200m urban Chinese have an average of 6.39 sq m of living space, though in some parts of Shanghai, the most populous and congested of Chinese cities, the figure is little more than 2 sq m.

As one Chinese newspaper lamented: "There are too many cases of two or three generations living in one crowded room, young people yearning for a single room where they can set up their bridal bed and married couples who are still living with their parents."

The queues lengthen despite the hundreds of off-green and fawn apartment blocks that have sprouted in the past decade, making urban China most unlike the rustic place many foreigners imagine it to be. Old courtyard-style houses

are disappearing fast in Peking to make way for clusters of high-rise, low-rent flats, all of which seem to come from the same bland mould.

The Government has experimented with private sales in 17 cities since 1982, but has yet to reduce the rent subsidies that make buying a house an unattractive proposition. Most Chinese pay only 1 per cent of their income in rent, down from 2.6 per cent two decades ago, and even Deng Xiaoping, China's paramount leader, admits: "If house rents are too low, people won't buy houses."

While the Government fears that increasing rents to make them more representative of the cost of an apartment will provoke a reaction against economic reform, a shortage of construction funds forced officials to decide this month to push ahead with rent reform. The state hopes to sell more houses and devote that revenue to housing construction.

Chen Junsheng, the director of the housing system reform

office, said that housing reform was "as important as wage and price reform." The comparison highlights the main problem—price reform. Bringing prices more into line with the costs of production by reducing subsidies has been put on hold this year following an increase in inflation, which is a sensitive political issue.

Mr Chen emphasised that

The problem of housing a billion people has forced the Government to review its housing strategy

reform will make the present irrational consumption and distribution systems "rational." But, as he well knows, the political often gets the better of the rational in China.

At present, rents are not even enough to cover maintenance costs, so buildings built three years ago look 30 years old. Then there is the problem of poor construction. A group of

faulty high-rise flats in Peking has been unoccupied for several years because the work unit involved does not have the money to make needed repairs.

Chinese officials at last seem to be aware of the social problems caused by high-density high-rise living and are taking more trouble in landscaping new suburbs. But they insist that in building design, function is far more important than form, so the apartment blocks are all the same.

A few symptoms of the overcrowding surfaced at the Xuanwu housing exchange, where one of the most common reasons given for moving is troublesome neighbours. A neighbourhood committee first tries to counsel feuding families and, if that fails, one family is likely to try to find a new home.

Li Yanggou, the exchange director, said the swappers do not generally resort to the housing hyperbole common among real estate vendors in the West, probably because he and other officials who inspect houses before they are put up for swapping vet the claims.

Japan plans to spend \$12bn on development aid

BY IAN RODGER IN TOKYO

JAPAN has made commitments totalling \$12.2bn out of its widely publicised plan to recycle more than \$30bn of its current account surpluses through new aid to developing countries over the next three years.

The Foreign Ministry yesterday published a progress report on the recycling scheme, showing that progress had been most rapid in the Government's own subscriptions to

international agencies. It has loaned roughly \$3.6bn to the International Monetary Fund, another \$2.8bn to the International Development Agency and a further \$1.3bn to the Asian Development Fund.

The \$30bn aid package, all of which is untied, was developed over the past year partly in response to criticism that Japan was not playing a role in international develop-

ment commensurate with its vastly increased economic importance.

The first phase, amounting to \$10bn and consisting mainly of government contributions to international agencies, was announced last December. The second, amounting to over \$20bn, was announced by Mr Yasuhiro Nakasone, the Japanese Prime Minister, when he made an official visit to Washington in April. At the time Japan was

coming under heavy criticism from the US authorities for its aggressive trading practices.

According to Foreign Ministry officials, more than 80 per cent of the initial \$10bn has already been committed. In addition to the \$7.5bn commitments to the IMF and multilateral development banks, \$650m has been raised by the World Bank in the Tokyo market. Progress on the second phase has

been slower. The plan is to provide about \$8bn in assistance through multilateral development banks and \$12bn in loans from Japanese channels. Of the \$12bn, about three quarters is expected to be co-financed by the Overseas Economic Co-operation Fund, Japan's Export-Import Bank, and Japanese private sector banks with the remainder being straight Export-Import or private sector loans.

Angolan bomber claim denied

BY ANTHONY ROBINSON IN JOHANNESBURG

THE South African Defence Force yesterday denied Angolan Government news agency reports that a Mirage jet fighter bomber had been shot down in action over southern Angola.

Earlier this week, South African military spokesmen declined to comment on Angolan reports that South African armoured units had also been involved in ground battles against Angolan forces up to 200 kms inside Angolan territory and that South African jet fighter bombers had flown

bombing raids in support of Unita rebel forces.

Despite the denials, reports from southern Angola indicate that Unita troops led by Dr Jonas Savimbi have again beaten off a large-scale military offensive by Cuban and Soviet-backed Angolan Government forces along the line of the Lomba River, some 50 kms north of the abandoned southern Angolan town of Namang.

South Africa makes no secret of its support for Unita which also receives Stinger ground-to-air missiles and other military equipment from the United States.

The official death toll in the worst South African floods in living memory rose to 133 yesterday as the insurance industry braced itself for damage claims of more than R450m.

Although the main highway linking Durban with Johannesburg was re-opened yesterday, rail links were still cut by mudslides and washed-away bridges and embankments.

Peres turns to US Jews

BY ANDREW WHITLEY IN JERUSALEM

A FRESH row has erupted within the coalition Israeli Government over an appeal to American Jews by Mr Shimon Peres, the Foreign Minister and Labour Alignment leader, to back his proposal for an international peace conference on the Middle East.

Fighting for his political life, on Wednesday Mr Peres took the highly unusual step of calling on the powerful Conference of Presidents of American Jewry in New York to intervene in Israel's heated domestic

dispute on the subject. By tradition, Diaspora Jewish communities stand aloof from internal Israeli politics, backing whatever stand is adopted by the Government.

The refusal of Mr Yitzhak Shamir, the hard-line Likud Prime Minister, to consider the conference proposal has blocked recent advances in the peace process. In frustration, the Labour leader has thus turned to a constituency which can exercise considerable clout with Jerusalem—if it so wishes.

Six executives convicted in Conic fraud trial

By David Dodwell in Hong Kong

SIX FORMER executives in Conic Investment, which with its private associate Honic used to be Hong Kong's largest electronics manufacturer, were yesterday found guilty in the territory's high court of conspiracy to defraud shareholders and creditors.

The decision comes after a 125-day trial—the second longest in Hong Kong's history after the recently closed Carrian fraud trial—and a record 27 hours of deliberation by the jury.

Conic founded in May 1984, after its former chairman, Mr Au Yan-Din, disappeared owing the group more than HK\$100m. Mr Au is thought to be in Taiwan.

The six former Conic executives, Tam Chungshing, William Chan, David Lo, Lam Chungkio, Chambers Wong and Alex Wong, were found guilty of conspiring in 1983 and 1984 with the former chairman to defraud shareholders and creditors by falsifying the accounts concerning two fictitious transactions. Sentencing has been deferred until today.

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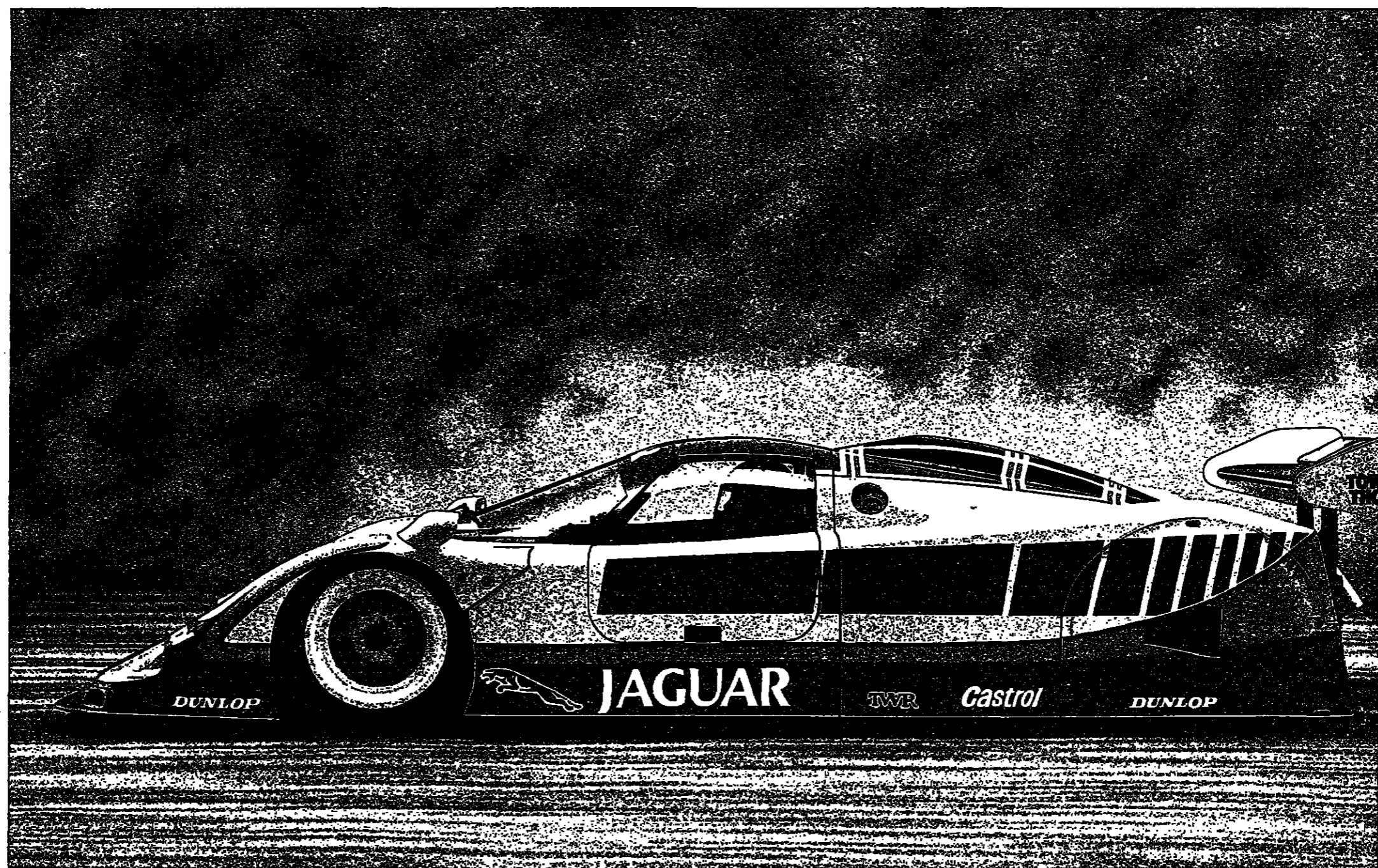
Individually it's a triumph for Jaguar team driver Raul Boesel. His five victories this season gives him the World Sportscar Drivers Championship.

He has ended the season on 127 points, and his fellow Jaguar drivers are second, third and fourth. Watson and Lammers (103), and Cheever (100). Porsche's Bell and Stuck have (99).

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AMERICAN NEWS

Leak damages Dukakis campaign

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE campaign by Governor Michael Dukakis of Massachusetts for the Democratic nomination has been badly shaken by the disclosure that two of his aides prepared an "attack video" which triggered the withdrawal of his rival, Senator Joseph Biden. The affair has fostered the impression that the Democratic Party is fielding accident-prone candidates.

A grim-faced Governor Dukakis was forced to concede that his top aides Mr John Sasso and Mr Paul Tully were the source of a video cassette which juxtaposed a speech by Senator Biden and one by Mr

Neil Kinnock, the British Labour Party leader, to show how Senator Biden had copied without attribution the British politician's words and gestures.

Only two days before, faced with a report in Time Magazine that it was his campaign which had leaked the video film to the press, Governor Dukakis had vigorously denied the charge. The episode has damaged his presidential bid in various ways.

He has been calling for party unity and presenting himself as the competent political executive whose managerial expertise has helped to create an

economic boom in Massachusetts. That image has been dented by the disclosure he did not apparently know what his own top campaign aides were doing in his name and by the evidence that they initially misled him about their involvement in the attempt to embarrass Senator Biden.

Governor Dukakis has also displayed indecision about how to respond to the disclosures. After first announcing on Wednesday that Mr Sasso would take a two-week leave from the campaign, later in the day he disclosed that he had accepted the resignations of both Mr Sasso and Mr Tully, who had been

working for Senator Gary Hart and joined the Dukakis camp earlier in the year after Senator Hart dropped out.

The departure of Mr Sasso in particular is seen as a body blow for Mr Dukakis. Mr Sasso is the man who masterminded the governor's 1982 election campaign.

Mr Sasso has been the governor's alter ego in Boston where he is credited with charting Mr Dukakis's sure-footed course through the minefield of competing interest groups he has had to contend with as he sought to balance his pro-business policies with the need to retain the support of traditional Democratic voters.



Governor Michael Dukakis

Brazil's inflation rate drops

BY ANN CHARTERS IN SAO PAULO

BRAZIL'S inflation rate fell to 5.68 per cent in September, according to IBGE, the government institute responsible for economic data. This brought inflation to 15.5 per cent in the three months since Mr Luiz Bresser Pereira, the finance minister, introduced his anti-inflation plan.

Financial markets had expected a slightly higher figure, after August's figure of 6.36 per cent. The IBGE said that higher urban transport costs, increased food prices and more expensive restaurant meals contributed most to the result.

The low inflation rate reflects the continuation of price controls in many industries. Businessmen said that shortages and extra charges on price-control-

led items were starting to appear, but not yet as forcefully as this time last year when the government tried to keep the lid on prices as the November election approached.

Recent government authorised price increases include a 5 per cent increase for bread, a staple in the Brazilian diet, and an 8 per cent rise in wheat flour, cent in September but bunched are reluctant to pass on the charge because consumers have cut back on their purchases.

The car industry received government permission for a 10.34 per cent price increase. This reflects increased prices of steel, petrochemical products, rubber, aluminium and some components.

President Jose Sarney has approved a bill which requires companies to pay transport costs for employees earning up to three times the minimum salary, now Cr 2,640 (\$52) per month. The new law extended the benefit to 14m workers, nearly 80 per cent of the workers earning these wages, up from 1.5m workers covered by previous legislation.

President Sarney also announced a government action plan for investments of Cr 14.3 trillion (\$286bn), over five years beginning this year. Sixty five per cent of the investments are to be made by the private sector. The plan projects the creation of 8.4m jobs and doubling income for 40m Brazilians.

US critics get tough over aid to Pakistan

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE FUTURE of US foreign aid to Pakistan is emerging as another in a series of contentious foreign policy issues dividing the White House and Administration critics on Capitol Hill.

On Wednesday night Congressional authorisation for the US to continue its \$4bn aid programme to Pakistan ended when a waiver expired which allows the Administration to make aid payments in spite of concerns that Pakistan is breaching US non-nuclear proliferation laws.

The issue of whether to resume aid payments and

under what conditions will now be debated on the floor of both chambers in Congress. The Administration is expected to argue, as State Department officials did on Wednesday, that cutting off aid sends the wrong signal to Pakistan, a country whose help is crucial to Western efforts to supply anti-Soviet rebels in neighbouring Afghanistan.

On Capitol Hill, however, critics of Administration policy are arguing that Washington needs to give a higher priority to the issue of impeding alleged efforts by Pakistan to develop nuclear weapons.

Illness puts off FBI chief's swearing-in

THE SWEARING-IN of Mr William Sessions as FBI director was postponed indefinitely yesterday after he was taken ill, AP reports from Washington.

Mr Edwin Meese, the Attorney General, asked as he left George Washington University Hospital what was wrong with Mr Sessions, said: "We don't know yet, for sure. They're doing some tests to find out."

Mr Sessions was confirmed on Friday to succeed Mr William Webster in the top job at the Federal Bureau of Investigation. Mr Webster became head of the Central Intelligence Agency.

US scientist urges allies to back Soviet offer on SDI

BY DAVID BUCHAN

THE recent Soviet offer to negotiate precise limits on what sort of space-based missile defence could be tested by the two superpowers could lead to a verifiable accord, according to a leading member of the Federation of American Scientists.

Mr John Pike said yesterday in London, while on a European visit to lobby US allies to press Washington to negotiate limits to Strategic Defence Initiative research and development, that the proposals presented by Mr Edward Shevardnadze, the Soviet foreign minister, to the US last month mirrored closely ideas which the FAS had urged on Soviet scientists for the past three years.

The Soviet proposals are for limits on the brightness of lasers, the size of mirrors to reflect laser beams, the speed of interceptors and the strength of nuclear power sources that could be tested in space. Mr Pike said most of such limits could be verified by existing national satellites and radars, though checks on laser brightness would require special cameras placed near the lasers while reactors on satellites would have to be checked before launch, as recently proposed by the Soviets.

Among President Reagan's inner circle of arms control advisers, only Mr Paul Nitze is known to be sympathetic to negotiated limits on SDI development.

Ortega orders troop pull-out

BY PETER FORD IN MANAGUA

SANDINISTA troops will withdraw next week from nearly 1,500 square kilometres of the most fought-over territory in Nicaragua, President Daniel Ortega announced.

The partial unilateral ceasefire will start on October 7, along with an amnesty to Contra guerrillas.

Under the Central American peace plan, all governments fighting guerrilla wars are due to arrange ceasefires and amnesties by early November.

At midnight on October 6, Mr Ortega announced Sandinista army troops will vacate zones in the mountainous northern provinces of Jinotega and Nueva Segovia, and in the central southern department of Nueva Guinea.

These are all zones where the Contras are most active, and where the government has set up regional peace commissions to welcome any rebels willing to hand in their arms.

Mr Ortega said that self-defence militia, comprising armed peasant farmers, would remain in the ceasefire zones. The army also reserved the right to repel with all the means at its disposal any attack by counter-revolutionary forces against the militia or civilians, any Contra operation against the army launched from a ceasefire area, and any Contra effort to impede transport through the areas, an official communiqué said.

"We are certain that many

people involved with the counter revolution in these zones will abide by the ceasefire, and take the amnesty," Mr Ortega said.

"Ideally, this partial ceasefire will gradually become a total one," he added.

The US administration has decried Managua's unilateral move to reduce the fighting, saying that the Sandinistas should have negotiated a ceasefire with the Contras.

Sandinista officials have said repeatedly they will not negotiate with the Contra leadership, but intend to build an overall ceasefire from a series of local arrangements with individual rebel field commanders.

Alarm spreads in Brazil over forest destruction

PRIMITIVE "slash and burn" agriculture practiced even in remote areas of the wild far western states of Brazil is raising alarm in addition to smoke.

Clouds of smoke thousands of kilometres away are recorded in satellite scans of Brazil's vast territory and picked up at a receiving station 10km from São José dos Campos, a growing aircraft and space industry complex east of São Paulo.

Taking advantage of free information from the US meteorological satellites - Nos 9 and 10 - the Brazilian Institute for Space Research has for the first time this year started new studies of weather conditions that affect the environment and the atmosphere over the South American continent.

Included in this data collection is the alarming discovery that vast areas are being burned in the western state of Rondonia near Bolivia, in the northern part of the bordering state of Mato Grosso, in the south-west of Para State and to a limited degree in the state of Acre which borders on Peru.

The findings on fires in the western Amazon Basin has so shocked scientists that field trips are slated for October, to investigate why a total of 150,000 square km, an area equivalent to half of Norway, has gone up in smoke this year. The trips are intended to evaluate how much of the burning is related to virgin forests.

The Amazon Basin encompasses 4.8m square km, but the area of still virgin forest is under threat.

Mr Albert Setzer, the scientist co-ordinating the project on the detection of burning for the institute, said that some of the areas being burned were not virgin forest but pastures that have been burned before.

"The dryness this year has encouraged burning," Mr Setzer said. "But if it is new land being cleared, it's cheaper to use a box of matches than hire a tractor to remove the vegetation."

The Brazilian Institute of Forest Development (IBDF) charged with monitoring the country's natural vegetation has followed the shrinkage of the Amazon forest with satellite pictures since 1968.

Woefully understaffed, the institute's most recent figures on the millions of hectares of destroyed natural vegetation are four years out of date for many of the states in the area and nine years out of date for the state of Amazonia.

Mr Cirineo Jorge Lorence, a forest engineer with IBDF, said that the daily bulletins on major burnings, received from the Institute on Space Research, are relayed to the

Anne Charters in São Paulo reports on the impact of slash-and-burn agriculture on remote Brazilian forests

single forest range of posts in each state with map co-ordinates on where larger burnings occur so that they can be investigated. According to Brazil's forest code depending on the topography of the land as much as 50 per cent of natural vegetation has to be preserved.

That is the theory, but the practice is far different. The far western states are over-run with migrants looking for land and a new life.

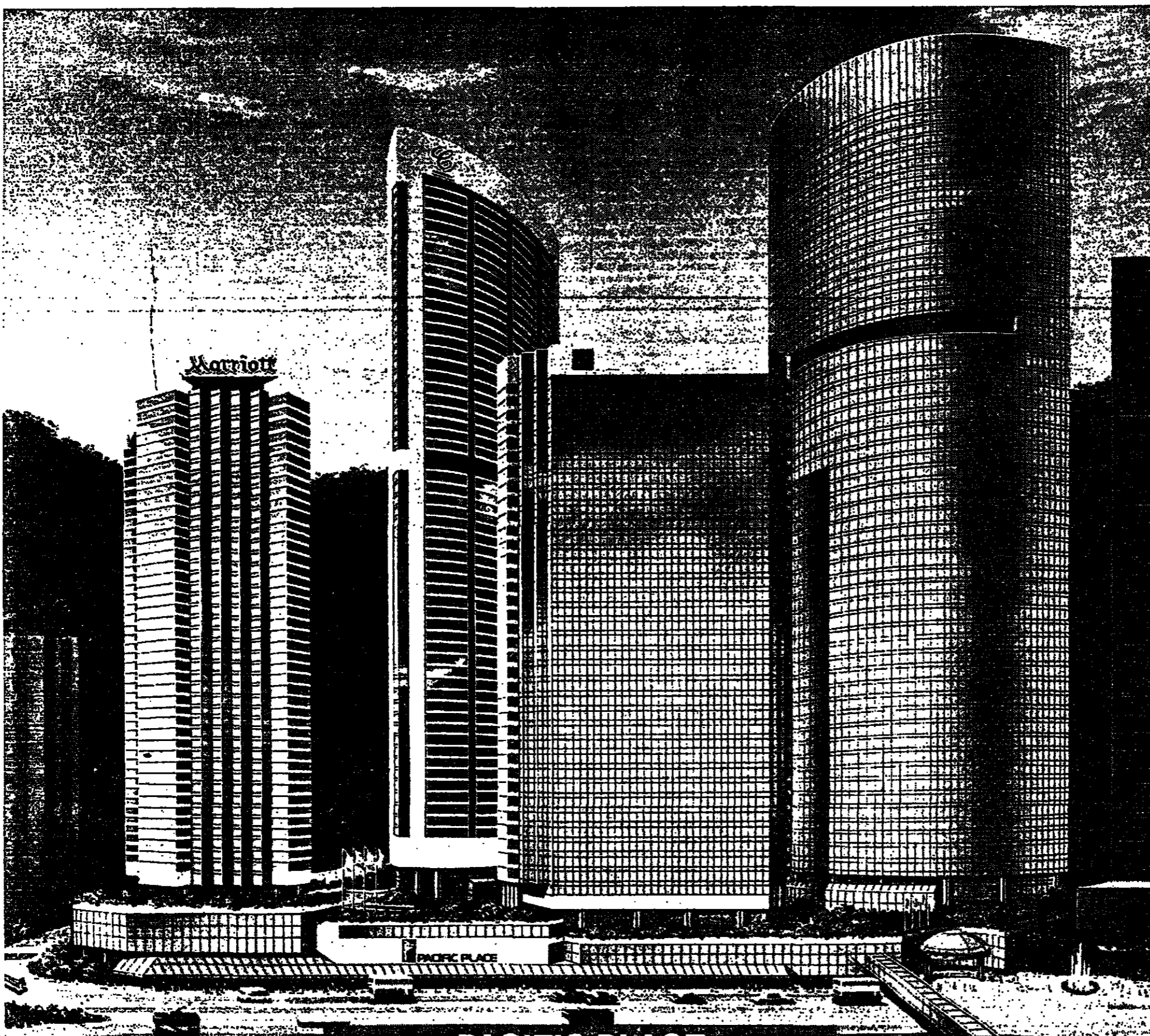
Mr Orestes Muniz Filho, the Vice Governor of Rondonia, told a potential investor recently that 10,000 people a month flood into the state, seriously over-taxing what little infrastructure exists. The state has no resources to police the settlers' activities.

Those who try to farm resort to burning to clear vegetation. Mr Maza Katayama, an agronomist with Cotia, a large co-operative with a farming settlement in Mato Grosso, said that within the co-operatives land burning was prohibited because it killed the organic material in the soil but that the practice was common elsewhere because it was cheap.

After burning vegetation, the land is usually planted with rice. The land may yield crops for 10 years despite this practice, but it means no fertile land is left for the farmers' children. Up to now, few farmers have had to worry about productivity because the amount of undeveloped land is so vast.

Even those who will take crops between soyas beans and wheat in Mato Grosso often burn the wheat stocks rather than plough them under for natural compost to gain time for a second crop the same year. If a disease or insect plagues a crop, burning is inexpensive eradication.

"It's not correct, but it's common," another Cotia agronomist lamented. Landowners worried about expropriation of their land for agrarian reform also burn hectares to show that they are "developing the land" and children burn land to force out worms for a hefty \$1.50 each to sell to fishermen. Education on the damage from burning and investigations as to what is being burned are not likely to change farmers ways until they can afford alternatives, or are forced to consider future generations.



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Gatt expected to rule against Japan on spirits

By IAN RODGER IN TOKYO

THE JAPANESE authorities appear to be bracing themselves for a condemnation by the General Agreement on Tariffs and Trade (GATT) of the country's taxation system on imported wines and spirits. A GATT panel has been studying these taxes since early this year, following a complaint by the European Commission on behalf of the European spirits industries and, in particular, Britain's Scotch whisky industry.

Yesterday, a leading Japanese newspaper, the Nihon Keizai Shimbun, reported that the Ministry of Finance would revise the spirits tax system early next year, having learned that the GATT panel had decided that the system discriminated against imports. The Ministry denied this report.

The EC charged that the Japanese spirits tax system imposes unreasonably high taxes on imported wines and spirits while exempting most locally made products from the highest tax rates. Consequently, EC wines and spirits are very expensive in Japan, and so their market shares have remained relatively small.

The Japanese government has resisted changing the tax system because of strong represen-

tations from the domestic drinks industry. The timing of the GATT panel decision is rather awkward for the ruling Liberal Democratic Party, which has a campaign under way to choose a successor to Mr Yasuhiro Nakasone as prime minister. Some observers fear that the leadership candidates may be tempted to make imprudent commitments to win the support of the powerful drinks lobby.

However, the Japanese are very poorly placed to ignore a decision of GATT panel Japan has been one of the major beneficiaries of the free trading system under the GATT. Japanese government leaders are constantly extolling the virtues of the system.

These leaders know that if they veto the panel's judgment, they will face a torrent of abuse and probably retaliatory action from their trading partners.

William Duffell, in Geneva, adds: Mr David Woods, the GATT spokesman, confirmed that the dispute panel has completed its report, which has been sent to the two main parties and will be distributed to other GATT members in mid-October. It will probably be submitted to the GATT council at its meeting on November 10-11.

KWU wins plant deal in Turkey

By David Barchard in Ankara

THE TURKISH Electricity Authority has awarded a contract to build a 1,200MW power-plant fired by Soviet natural gas to a consortium led by Kraftwerk Union of West Germany.

The contract will cover construction of the plant and installation of equipment on a turnkey basis. Total cost is expected to be about \$410m.

Other members of the consortium include KWU's parent company, Siemens AG, of Austria, and Etnas and Katiotas, two local companies.

The consortium will be expected to provide 100 per cent financing for the project which will have six units each consisting of two 100MW gas turbines and a 100MW steam turbine.

The KWU bid appears to have pulled ahead of the two other contenders, consortiums headed by Mitsubishi of Japan and Enka of Turkey by having slightly higher net productivity at 51.37 per cent and nearly 200 MW higher total output than the other bidders.

Initial supplies of Soviet natural gas are expected to reach Turkey shortly from Bulgaria. Eventually Soviet gas will be a major source of energy for the industrial regions of Turkey as far as Istanbul.

John Wyles in Rome interviews the minister piloting into law new foreign exchange rules

Italy moves to end tradition of controls

ITALY'S crab-like progress towards fully liberalising capital movements was given a decisive push forward at the end of last week with the final approval of radically new legislation.

When it comes into force on October 1, 1988, the philosophy which has underpinned Italian controls on capital movements for more than 50 years will have been turned through 180 degrees.

"Henceforward, all foreign exchange transactions will be permitted unless specifically controlled or forbidden by law. Until now everything has been forbidden unless specifically authorised," says Mr Renato Ruggiero, Italy's Minister for Foreign Trade, who piloted the legislation through its final stages.

There was a curious symmetry about Mr Ruggiero's involvement. A diplomat for most of his life, he has been Italy's permanent representative to the European Community and is an energetic evangelist in favour of political and economic integration.

The foreign exchange law sets out the framework and the rules which will allow Italy to participate fully on that magic day, officially scheduled for 1994, when the European Community is supposed to remove all its internal barriers to the free movement of goods, people and capital.

As such, it marks a fundamental break with Italy's past.

Henceforth, all foreign exchange transactions will be permitted unless specifically controlled by law. Until now everything has been forbidden, unless specifically authorised—Mr Renato Ruggiero, Italian Minister for Foreign Trade

Restrictive foreign exchange laws were first imposed during the World War I. They were relaxed in the 1950s and 1960s and then hastily tightened again in the 1970s, when designers' suitcases bursting with funds were frequently shutting across the border into Switzerland.

Throughout the 1980s Italian governments have been moving, often falteringly, in the direction of greater liberalisation. Recurrent currency crises have forced them on several occasions to reintroduce controls, most recently in early September. However, the body of freedoms has been steadily enlarged and the new law, first tabled in 1983, is a recognition of the need to codify a new approach.

Nevertheless, caution has by no means been thrown to the winds — the Italian economy is too vulnerable to renewed inflation and the requirements of financing a public sector deficit running at between 11 and 12 per cent of gross domestic product are too great for the authorities to feel free to

indulge in total deregulation. Free market critics of the law are less concerned about the government retaining some weaponry to respond to currency and balance of payments crises, than the fact that legislation is vague as to what conditions would justify their use.

The defensive measures set out in Article 13 may be deployed in the case of the lira being in difficulty in foreign exchange markets or to deal with damaging balances of payments figures.

The case for the defence is that the emergency measures are in line with EC rules and that requirements of membership of the European Monetary System would restrict their use.

Neither Mr Ruggiero nor the Bank of Italy seem to fear a huge capital outflow when a host of operations are liberalised in a year's time. Relaxations which have already been introduced are thought to have greatly reduced pent-up pressures.

The minister believes that there will be a psychological impact in the sense that Italians will take a more

balanced view of overseas investments which until now may have seemed exaggeratedly attractive precisely because they were controlled.

Transactions which will be freed of any requirement for official authorisation cover a wide field. On the securities front, Italians will be free to invest in foreign holdings, and not just operating companies. They will be able to buy unquoted foreign securities, as well as all those issued outside the EC, and will be able to invest in foreign mutual funds which do not hold any Italian securities.

Operators will be able to make unlimited borrowings and lendings abroad and to finance trade in foreign currency before any contracts are signed. Restrictions on anticipated payments for imports and delayed repatriation of export earnings will be removed.

Elsewhere, cinema producers will not need permission to finance productions abroad, nor will Italian airlines and shipping companies need approval to purchase fuel during overseas operations.

Unlike an earlier draft, the

final legislation removes the state's monopoly on the holding of all foreign exchange, while giving ministers broad discretionary powers to limit it. But for the time being, Italians will still not be able to hold foreign currency abroad, in bank accounts or otherwise, nor will they be able to open lines of credit in favour of a foreign borrower.

All in all, the new regime should lead to a further important opening up of the Italian economy with consequent pressures on the Government to prevent the domestic inflation rate becoming too divergent from the average of the EMS countries. "The legislation will also impose a more powerful pressure on the Government to correct the public deficit," says Mr Ruggiero.

One result could be that real Italian interest rates will remain among the highest in western Europe, another that the Government will need to finance more of its debt through foreign borrowing, both to offset currency outflows and because a greater proportion of domestic savings will be diverted out of government bonds and into overseas investments.

The public sector deficit thus remains a dangerous threat to the smooth liberalisation of Italian capital movements and failure to bring it down over the next three years could mean an even rougher ride for the Italian economy.

US consoles Israel for Lavi cancellation

By Andrew Whitley in Jerusalem

THE TROUBLED Israeli defence industry, hit hard by the recent decision to cancel the expensive Lavi combat aircraft, is on the verge of winning two compensation orders overseas, together valued at around \$300m.

The Reagan Administration had assured Jerusalem it would help cushion the blow to the state-owned Israel Aircraft Industries, prime contractors on the Lavi, if the controversial project was axed. It has moved swiftly in recent days to implement that promise.

Israel's first reward has come from this week's lifting by the State Department of its long-standing refusal to permit IAI to sell fighter bombers incorporating US-made components to Colombia.

According to state-run Israel Radio, Mr George Shultz, US Secretary of State, told Mr Shimon Peres, the Israeli Foreign Minister, in New York that permission has now been granted for Israel to sell 14 of its Kfir aircraft to Colombia, in a deal said to be worth \$100m. The Kfir, a variant on the Dassault Mirage-III, is powered by an American Pratt and Whitney engine and thus requires a US licence for third party sales.

IAI refused yesterday to comment on the subject, but Foreign Ministry officials confirmed that negotiations have been pending with Colombia for over two years. Neighbouring Ecuador took delivery of 12 Kfir C-9 warplanes in the late 1970s, after a prolonged argument over the sale between the Israeli Government of Mr Menachem Begin and the Carter Administration.

The second "sweetener" for loss-making IAI, which is expected to lay off several thousand workers because of the Lavi cancellation, concerns the development in Israel of an anti-missile missile defence system.

Known as the "Arrow Project," the Pentagon is believed to have been holding talks for several months with the Israeli company on a lucrative research contract to design and develop a short-range missile capable of countering Soviet tactical ballistic missiles.

The new air defence system is an urgent priority for Israel following the introduction by Syria of Soviet SS-21 and Scud missiles, capable of striking at major centres of population in Israel with chemical warheads.

The Jerusalem Post reported on Wednesday that Israel is also seeking maintenance orders from the US to service some of its military equipment stationed overseas. Hopes are said to be focused in particular on the maintenance of US Army helicopters deployed in Western Europe, a task which would probably be carried out by a division of IAI.

Japan takes advantage of S Korean trade openings

By Maggie Ford in Seoul

JAPAN has quickly taken advantage of South Korea's more open market, imposed in response to pressure from Washington, according to the Korean Ministry of Trade and Industry.

In a report submitted to the National Assembly, the Ministry said that South Korea had liberalised 24 items earlier in the year specifically to meet US requests. Out of the \$255m worth of these items, South Korea imported in the first half of this year, Japanese companies had sold 56.3 per cent of the total, worth \$145m, the report said.

US exports of these items had amounted to \$45m, or 18 per cent. "The American companies simply did not move fast enough," the Ministry said. "Their failure resulted in an exacerbation of South Korea's trade deficit with Japan."

The list of 24 items included machine tools (where 60 per

cent of imports came from Japan, compared with 14 per cent from the US) bulldozers, lemons and limes, electronic data processing systems and cameras.

The Ministry report said that insufficient marketing in South Korea by US companies is partly to blame. Importers also point to the competitiveness of Japanese goods in terms of quality and service, although prices have been hit by the high yen.

US exporters are continuing to press for the removal of non-tariff barriers and for greater access in the financial services, advertising and agricultural product sectors. Speaking in Washington at an International Monetary Fund meeting this week, Mr Sakong II, the South Korean Finance Minister, strongly backed further market opening in industrialised countries to achieve balanced economic growth worldwide.

GPA venture plans to buy 25 ATR prop-aircraft

By Michael Donne, Aerospace Correspondent

GUINNESS PEAT AVIATION (GPA), the aviation leasing organisation based at Shannon, Ireland, has joined with the Franco-Italian company, Avions de Transport Regional (ATR), to provide world-wide operating leases for the ATR-42 and ATR-72 transport aircraft.

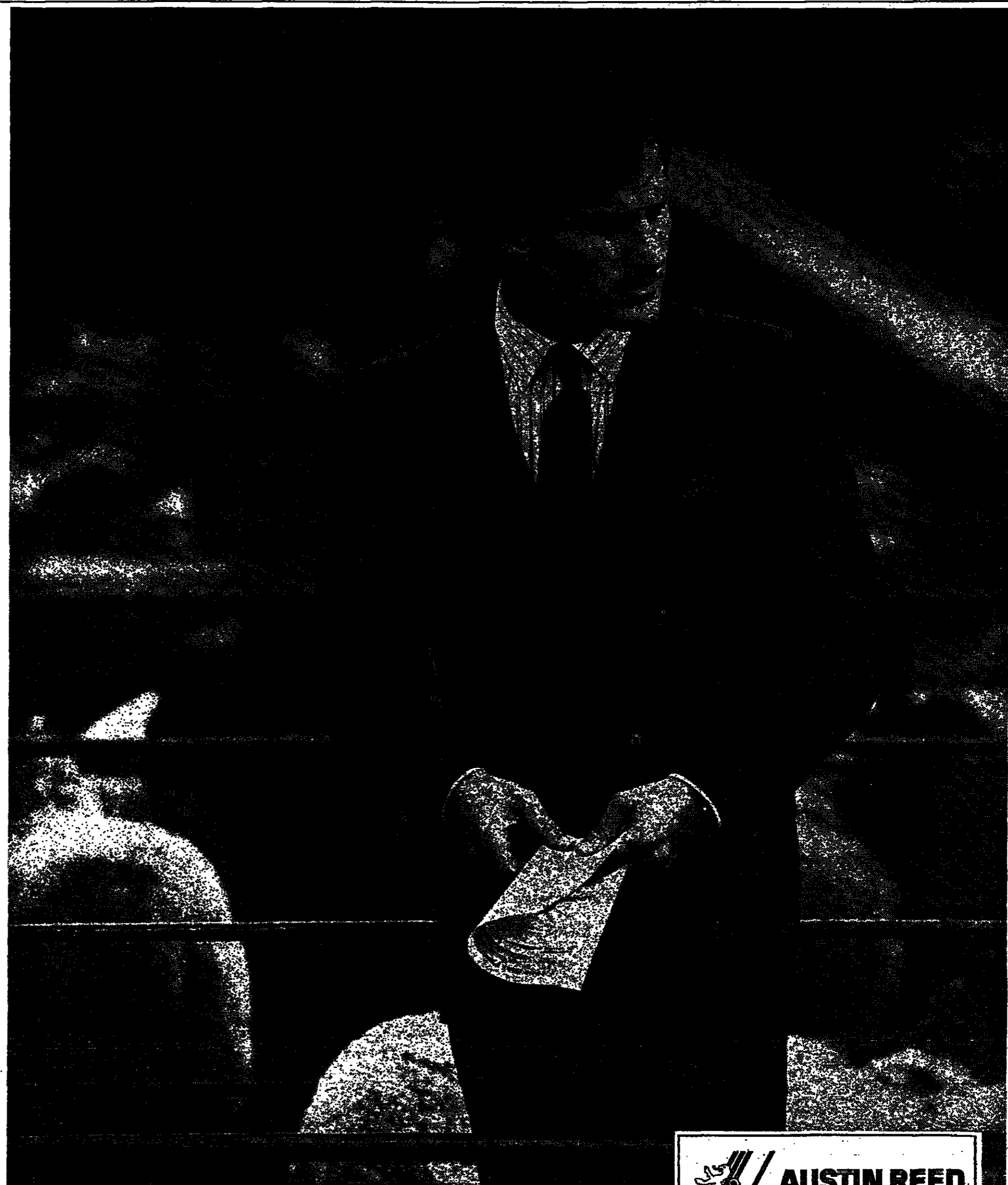
A new company, yet to be named, is being formed by GPA Jetprop (jointly owned by GPA and PWA Corporation, Canada's second largest airline group) and GIE Avions de Transport Regional (jointly owned by Aerospaziale of France and Aeritalia of Italy), together with Banque Indo-

Suez and Istituto Bancario San Paolo di Torino.

It is planned that the new company will buy initially 25 ATR-42 and ATR-72 turbo-prop transport aircraft, worth about \$300m, over five years, with first deliveries in 1988.

The ATR-42 is a 40-50 seat twin-engined aircraft with a range of about 1,000 nautical miles, with some 56 already in service, while the ATR-72 is a derivative seating 66-70 passengers and due to enter service in 1988.

Total orders and options for the two aircraft amount to nearly 200.



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UK NEWS

TALKS ANNOUNCED AFTER SHARP RISE IN SHARE PRICE

Burmah, SHV may bid for Calor

BY LUCY KELLAWAY

BURMAH OIL and SHV, a privately owned Dutch company, yesterday announced they were holding talks which could lead to a joint offer for Calor Gas, the liquefied petroleum gas company which was "demerged" from Imperial Continental Gas earlier this year.

The statement was prompted by a sharp rise in the Calor share price over the last two days, which the London Stock Exchange is believed to be investigating.

The companies said that any bid would be at a "modest premium" to Wednesday's closing price of 500p a share. The Calor share price yesterday jumped to 540p, capitalising the company at £750m, compared to a value of just over £1bn for Burmah. SHV owns 29.9 per cent stake in Calor, most of which was acquired through a share swap in the demerged IC Gas companies in April. SHV said at the time that it regarded the stake as a long-term investment and had no plans to make a full bid. Burmah owns a 2.4 per cent interest.

Yesterday Mr David Mitchell, managing director of Calor, expressed some dismay at the

news. "I had hoped that we might have a bit of a rest from this sort of thing," he said. However, if a bid materialised, he said it would have to be examined on its merits. Calor has been under siege almost continuously since Mr David and Mr Frederick Barclay, the UK twin investors, bid for IC Gas late last year.

Although there was no direct overlap between the business of Calor and Burmah, Mr Mitchell said Calor, Burmah's chief operating subsidiary, was similar to Calor as both occupied dominant positions in specialist oil

product markets.

Neither Burmah nor SHV would add to yesterday's brief statement.

Stockbroking analysts yesterday suggested that the deal would increase Burmah's tax efficiency, and capitalise on its skills as a successful marketer of oil products. However, they said that a takeover would raise questions for the future of Century Power and Light, the independent oil company which is 59 per cent owned by Calor, which could be spun off should a bid succeed.

Lex, Page 28

Retailers will sell postage stamps in trial scheme

BY DAVID THOMAS

THE POST OFFICE is linking with three leading retailers in an experiment in which stamps will be sold in shops and stores as well as at post offices.

The move, aimed at reducing queues in post offices, was announced yesterday at the same time as the Post Office unveiled plans for an £80m investment programme to improve service at its counters.

In addition, the Post Office is pressing the Government to allow it to offer more services over its counters. At present it is restricted to public service transactions or to business directly related to the sending of letters, such as the sale of stationery.

The stamp sales trial involves W H Smith, Woolworth and Marks & Spencer, which will be given a 5 per cent discount for buying stamps in bulk

for resale. It will last for a year.

The corporation also intends to install more stamp machines outside post offices, experiment with machines inside some post offices which will dispense any quantity of stamps and allocate service points exclusively for customers wanting stamps or other quick transactions.

Mr John Roberts, managing director of Post Office Counters, which has been set up as a separate company within the Post Office, said: "We are trying to crack the points put to us by our customers."

The investment programme, which will take four to five years, will include rebuilding or refurbishing many post offices, including 500 of the largest by the end of next year. It will also include the installation of walk-in waiting areas and easy to read displays.

At least 12 further post offices are to get Postshops - self-con-

tained units within post offices selling cards, stationery and stamps. Some 38 already have them.

The corporation is offering new uniforms on a voluntary basis to its counter staff. Surveys indicate that about 70 per cent will use them initially.

It also intends to recruit a further 500 part-time workers to cope with peak periods at its counters in addition to the 1,000 it is recruiting this year.

Mr Roberts said the Post Office counters business wanted to be able to offer more goods and services, particularly financial services such as insurance, and in the longer term possibly theatre and travel tickets.

That would not necessarily require legislation, but it would need Government consent. "I would like them to take this decision as soon as possible," Mr Roberts said.

Shake-up planned in railways bargaining

BRITISH RAILWAYS Board is drawing up a plan for far-reaching changes to the industry's collective bargaining arrangements, covering 139,000 staff, Charles Leadbeater writes. These will be presented to the rail unions early next year.

The review is expected to lead to the biggest changes in the industry's industrial relations machinery since the 1960s. It is aimed at simplifying the cumbersome bargaining machinery, which was strongly criticised earlier this week in a Monopolies and Mergers Commission report on rail services in the area around London.

"Pigeon" droppings weighing an estimated half ton were removed from the statue of Lord Nelson, the 19th century admiral, in Trafalgar Square London, during restoration work now nearing completion.

"VEGETARIANS and animal welfare groups are urging Britons today to give up meat in a campaign inspired by National No Smoking Day. A series of events and demonstrations are planned nationwide.

"ACCIDENT recorders for ships, similar to the 'black box' device installed in aircraft, are being offered to shipowners by Lloyd's Register, the maritime standards body. The UK-designed device would record vital details such as whether a ferry's bow doors were properly closed.

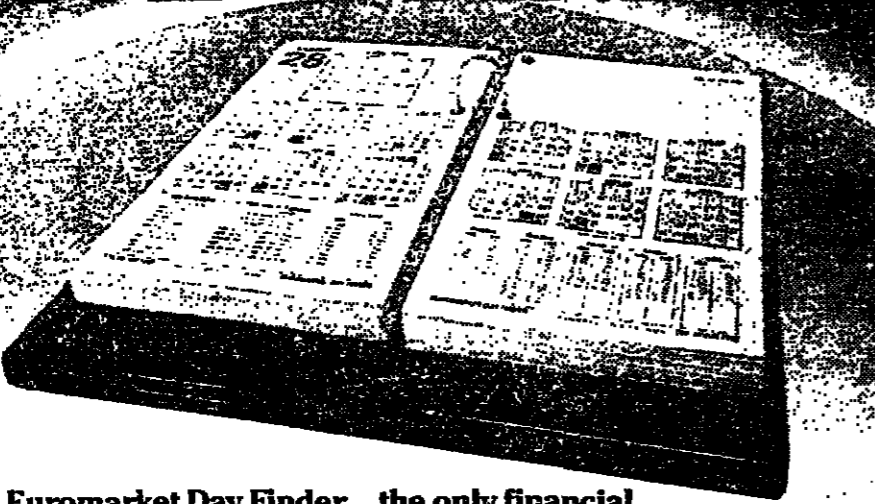
"GUERNSEY police have taken custody of more than 50 guns which were handed in by the public during a two-week amnesty leading to the introduction of new firearms laws.

"DRUGS information is being offered to soldiers with problems at the army garrison at Tidworth, Wiltshire. The Drug-watch service is the first to be established for Britain's armed forces.

"VIOLINS worth more than £2m are being assembled at London's Barbican Centre for a concert to mark the 250th anniversary of the death of Antonio Stradivari. At least 15 violins, each one a Stradivarius, will take part in the performance on December 2 to be conducted by Sir Yehudi Menuhin.

"DOCTORS' plans to carry out secret AIDS tests on suspect patients have been blocked by senior British Medical Association policymakers. They said the move would be undesirable in the interests of the association and its members.

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Parents will see school records

Financial Times Reporter

PARENTS WILL be entitled to see all school records kept on their children under government plans published yesterday.

Mr Kenneth Baker, the Education Secretary, is proposing new regulations which for the first time will give parents the right to read files kept on their children.

They will also get the power to ask for a copy of the document and will have a right to add their own comments to those of teachers in school records.

Pupils over the age of 15 will get the right to see a reference written by their teacher, and those aged over 18 will be allowed to see and copy their own files.

Mr Baker's plans, outlined in a consultation document published today, are aimed at standardising record-keeping in schools in England and Wales.

Also for the first time schools will be legally required to keep records on the skills, competence and academic achievements of pupils.

At present there is no law requiring records of any kind to be kept, although most schools keep files on pupils covering everything from classroom performance to behaviour and personal problems.

The proposals, which are likely to become law by next September, do not require schools to record details of pupils' behaviour or personalities.

Government to press on with reform of employment laws

BY PHILIP BASSETT, LABOUR EDITOR

THE GOVERNMENT intends to add to its proposals for further employment law reform when it publishes its bill on the issue later this month.

Ministers are expected at next week's Conservative Party conference in Blackpool to give some detail of the Government's intentions in advance of the planned publication of the bill when parliament reassembles.

The first part of the bill will put into practice all the industrial relations proposals for further union reform outlined in the Government's discussion document, Trade Unions and their Members, issued earlier this year.

But an additional second part

will include a number of provisions connected with employment. Foremost among these will be legislative proposals to increase the number of employers' representatives on the governing body of the Manpower Services Commission, which administers the Government's training and employment schemes.

Other areas in the bill's second part are likely to include proposals on the Youth Training Scheme, and the Government's Community Programme for the long-term unemployed. There were also some small tidying-up provisions, although there will be nothing in the bill

honouring Government's outstanding 1983 general election manifesto commitment to consult on action to deal with strikes in essential service industries.

However, Mr Norman Fowler, the Employment Secretary, made it clear yesterday that the Government would proceed with its controversial proposal to prevent unions from disciplining members who break even legally-constituted strikes.

He told a conference in London organised by the free-market Institute of Economic Affairs that the Government would listen carefully to responses to its ideas.

Fall in union numbers forecast to end

BY OUR LABOUR EDITOR

FALLING trade union membership levels have probably reached a low-water mark, a leading academic on union growth suggested yesterday.

Union leaders will welcome the analysis put forward yesterday by Professor George Bain, chairman of Warwick University's school of industrial and business studies, particularly

as they start on their planned year-long review of union organisation in the light of falling union membership and Labour's third successive election defeat.

Professor Bain, widely recognised as the pre-eminent academic expert on union growth, said that the proportion of the workforce in unions was likely

to fluctuate over the next 5-10 years, on a marginally declining trend, around its level of the 1950s and 1960s.

He said: "Unions are likely to continue to represent a substantial section of the labour force - around 40 per cent - sometimes more, sometimes less, depending on outside factors."



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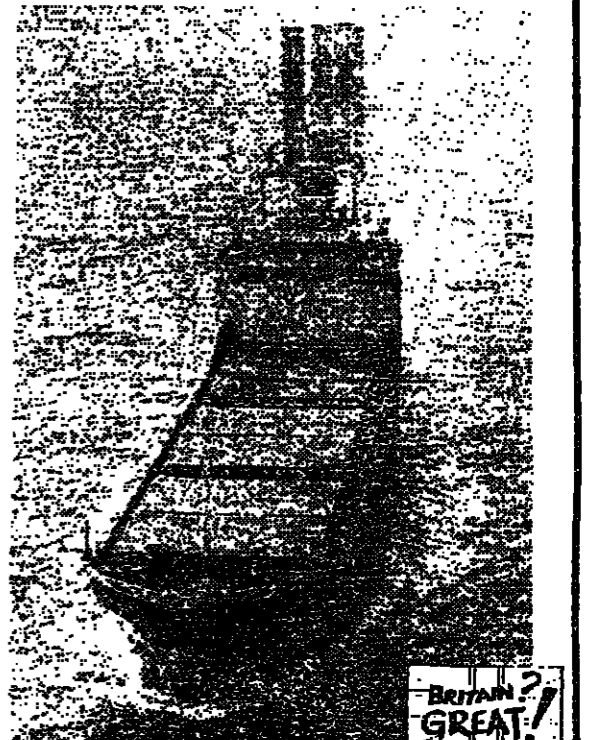
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Lucy Kellaway looks at the development of the tiny Emerald oil field

Thinking small in the North Sea

IF THE UK is to remain in the big league of oil producers, it must think small.

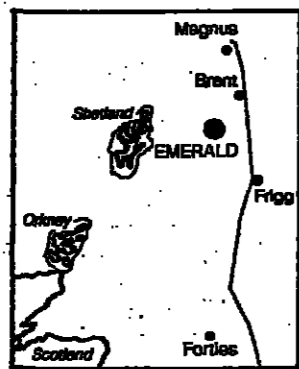
That was the message this week from Mr Peter Morrison, the new Oil Minister, in one of his first consciousness-raising speeches to the industry. The future of the North Sea lies increasingly with small undeveloped fields, he said, and he urged the industry to think of ways of bringing them to production.

Mr Morrison can expect a pleasant package to land on his desk shortly from Sovereign Oil and Gas, one of the smallest oil independent producers which will contain an application for the development of Emerald, a tiny North Sea field.

If Mr Morrison seeks a break from thinking big he could not find a better example than Emerald. Not only is it perhaps the smallest field developed so far, but it departs radically from existing North Sea projects by transferring all the risk from the oil companies to the offshore contractor and the oil buyer.

Emerald, with its 30m barrels of heavy, sticky oil, is a marginal field at best. A falling oil price or poor flow rates from the field could easily transform the project into a heavy loss-maker. Both risks have been reassessed, so that the contractor will take on the danger that the reservoir might prove disappointing, while the oil buyer will adopt the risk of a falling oil price.

Midland and Scottish, a privately-owned offshore supplies group, has undertaken to develop and finance the field and pay for its operation. Its return will come from the oil itself when the field starts to produce in



two years. If the field behaves badly, Midland stands to make a loss, whereas if the field behaves well its return will rise accordingly.

Meanwhile, the oil price risk has been adopted by Neste Oy, the Finnish oil company. Neste has agreed to pay a minimum price for the oil, thought to be equivalent to a Brent crude price of \$17.90, about 50 cents lower than present prices. If the price rises above this level Neste Oy will get half of the benefit, with the rest shared between the oil companies and the contractor.

Thus the oil companies are left with a field in which they will own none of the equipment, pay none of the costs and have secured a minimum price for the oil. While they will not lose money on the project, neither are they likely to make much, unless there is a marked rise in the oil price. However, if this occurs their return will be less than half of what they might have expected with a more conventional development.

The imaginative plan has not been achieved easily. Mr David

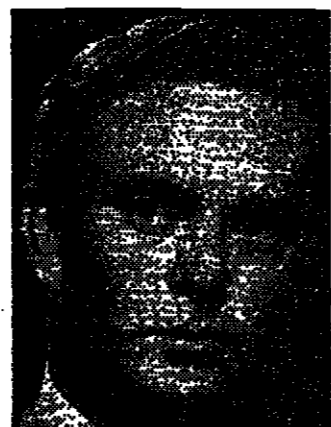


David Biggin, convincing the doubters

Biggin, Sovereign managing director, has devoted the past year to convincing the doubters that such a scheme was possible. Not only does it break every rule of North Sea development, it also involves delicate negotiations with the Department of Energy over such principles as selling forward the entire output of the field.

Mr Biggin expects to see a series of Emerald clones in the future, though others are more doubtful. The Sovereign deal was born out of necessity: last year the company seemed one of the weakest oil independents, and could not hope to raise finance for the field. The deal is a breakthrough for Sovereign as it enables it to go ahead with a project which otherwise would not have been possible, and gives it a safe, if small, return.

However, for a large oil company, well able to raise development finance and positively



Peter Morrison: message for the industry

been to take risks, so long as a commensurate return is in the offing, the deal is not so attractive. Indeed, Chevron, which had a large stake in Emerald, was so strongly opposed to the development that it sold its stake. The interest was bought by Midland and Scottish, further blurring of the line between the traditional roles of oil company and contractor in the project.

The deal may also have been a product of the plunge in the oil price. It was negotiated at a time when offshore supplies companies were faced with a terrifying absence of orders, giving unusual power to the oil partner.

Even if Emerald does prove a one off, it will nevertheless be an important example to other small oil companies of what can be done in the North Sea with a bit of daring and a good deal of determination.

North Sea supplies 'will fill gas shortfall'

By Lucy Kellaway

SUPPLIES from existing gas fields in the UK sector of the North Sea will be sufficient at least until the early 1990s to fill the shortfall which faces British Gas, according to a report by stockbroker Wood Mackenzie.

The broker argues that the supply gap, which starts to open this year as a result of a sharp fall in supplies from the large Frigg field, can be met by lifting more gas under existing contracts and by taking more gas from British Gas's Morecambe field.

However, by the mid 1990s the gap will have widened so that current supplies will meet only half of UK demand. The report argues that most of this gap will be met from new fields in the southern gas basin and the central North Sea.

In the long term, imports from Norway will be inevitable, the report says, but in the short term British Gas may have room to raise the price it pays to UK suppliers to meet their higher costs of development.

Judge is appointed as prisons inspector

JUDGE Stephen Tumm has been appointed to succeed Sir James Hennessy as Chief Inspector of Prisons.

Judge Tumm, 57, will take up the appointment on November 1. A circuit judge since 1978, he has been a judge of Willesden County Court for the past seven years. Since 1983 he has been chairman of the Friends of the Tate Gallery.

Technology consultancy to recruit 70 for launch

By MICHAEL SKAPINKER

THE AUSTRALIAN company which has persuaded 30 senior managers to leave consultants PA Technology to set up a new consultancy says it intends to recruit about 70 British professional staff for the venture.

Mr James Fox of the Perth-based Wilson Group said the consultancy would be a springboard for the group's investments in high technology companies in Britain, the US and continental Europe.

Mr Fox is a director of Investech, formerly PA Technology South East Asia, in which the Wilson Group has a 30 per cent stake. He arrived in London yesterday to coordinate the setting up of the consulting company which will be based in the Cambridge area.

Mr Fox said the UK managers who have joined the consultancy would hold more than 50 per cent of the shares in the new venture.

He expected the group to begin investing in British high technology companies by the middle of next year. The company also intended to invest in the US, West Germany and Scandinavia, he said.

Simon Olswang, the London solicitors acting for Wilson, said yesterday that 29 PA Technology managers had confirmed in writing that they would join the new company.

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NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Fiscal Agency Agreement dated as of October 15, 1984 between Borden, Inc. (the "Company") and The Chase Manhattan Bank (National Association), (the "Fiscal Agent"), the Company has elected to redeem its option to extend the maturity of the Company's Three Year Extendible Notes Due 1996 (the "Notes") pursuant to paragraph 9 (b) of the Notes, on October 15, 1987 (the "Redemption Date") at a redemption price of 100% of the principal amount thereof (the "Redemption Price").

On the Redemption Date, the Redemption Price will become due and payable on the Notes and will be paid upon presentation and surrender of the Notes, together with all unexpired coupons maturing subsequent to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue.

Coupons which shall mature on, or shall have matured prior to, the Redemption Date should be detached and presented for payment in the usual manner.

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- | | |
|---|--|
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Grossmatten 24
Postfach 192
8007 Zurich, Switzerland |
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Cote Boulevard Royal & Grand Rue
CP 240
Luxembourg, Luxembourg | Nederlandsche Credietbank, N.V.
Nieuwmarkt 405
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| Berliner Handels- und Bankverein AG
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1040 Brussels, Belgium |
| Société Générale
29 Boulevard Haussmann
Paris 75009 France | |

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BORDEN, INC.
By: The Chase Manhattan Bank
(National Association)
as Fiscal Agent

Dated: September 21, 1987

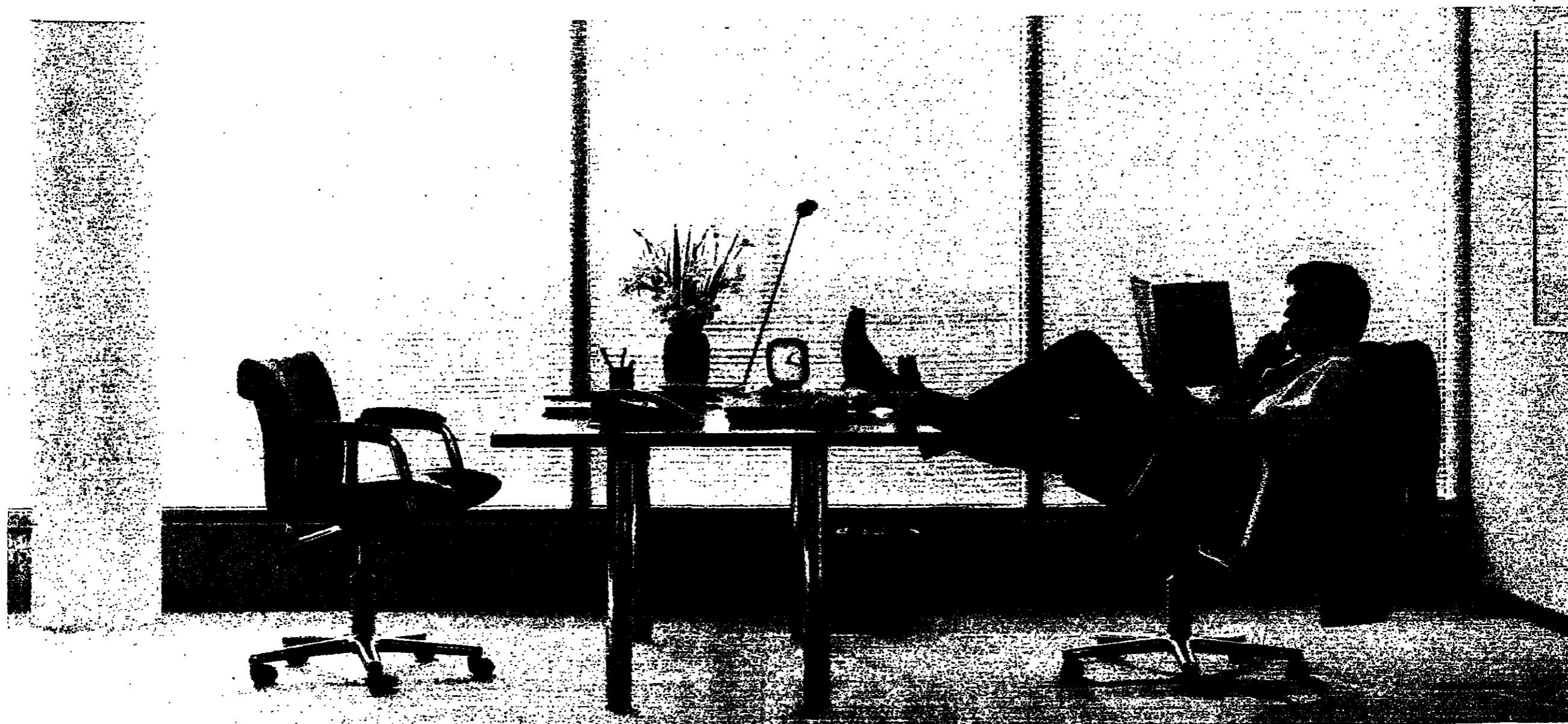
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High	Low	Company	Price	Change	div.(p)	%	P/E
206	133	Asst. Brit. Ind. Ordinary	203	—	7.3	3.6	12.4
206	145	Asst. Brit. Ind. CULS	203	—	10.0	4.9	—
41	34	Armstrong & Rhodes	36	—	4.2	11.7	5.0
142	57	BBS Design Group (USM)	105ad	—	1.1	2.0	5.7
185	108	Barton Group	185	+3	2.7	1.4	31.6
184	95	Bry Technology	184	—	4.7	2.6	14.7
275	130	CCL Group Ordinary	275	+2	11.5	4.2	7.1
146	99	CCL Group 12 1/2% Conv. Pref.	146	—	15.7	10.8	—
171	134	Carborundum Ordinary	171	—	5.4	3.2	14.5
102	51	Carborundum 7 1/2% Pref.	102	—	10.7	10.5	—
172	87	George Blair	172ad	+2	3.7	2.2	4.4
143	119	Isis Group	143	—	—	—	—
96	59	Jackson Group	96	—	3.4	3.5	10.6
1150	321	James Burroughs	1150	—	18.2	1.6	26.1
133	86	James Burroughs 9 1/2% Pref.	133ad	—	12.9	9.7	—
790	500	Multimedia NV (AmstSE)	505	—	—	20.0	—
700	351	Record Ridgway Ordinary	700ad	—	1.4	—	14.1
87	85	Record Ridgway 10 1/2% Pref.	87ad	—	14.1	16.2	—
91	65	Robert Jenkins	65	—	—	—	2.9
124	62	Suttons	124ad	—	—	—	—
222	141	Turkey & Carlisle	222	—	6.6	3.0	10.8
42	38	Trevian Holdings	42ad	—	0.8	1.8	3.9
131	73	Unilock Holdings (SE)	92ad	—	2.8	3.0	16.9
264	115	Walter Alexander (SE)	264ad	+1	3.9	2.2	19.5
200	100	W. S. Yates	200	—	17.4	8.7	20.0
175	96	West Yorks. Int. Hosp. (USM)	151	+2	5.5	3.6	16.0

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UK NEWS

Dixons to sell low-cost satellite TV receivers

BY RAYMOND SNOODY

DIXONS, the UK retail group, plans to sell satellite television receiving equipment to the domestic market at less than half the price of existing receivers. The company wants to have 500,000 receivers available to sell in its 1,000 Dixons and Currys stores during the first year of service of Astra, the 16-channel television satellite scheduled for launch next September.

Dixons is aiming at a target price of £300. It is talking to potential suppliers in the UK and the Far East although agreements cannot be signed until specifications have been finalised.

Dixons said yesterday: "We are enthusiastic about satellite television and we are planning to go into the market but we cannot comment on the details at the moment."

The Dixons plan could revolutionise the market. It believes that dish aerials will be large enough to receive good-quality pictures from Astra, a medium-power satellite project based in Luxembourg and funded largely by Belgian, German and Luxembourg financial institutions.

Astra, which is expected to have eight or nine of its channels in English, is scheduled for launch a year ahead of British Satellite Broadcasting, the UK direct-broadcasting-by-satellite project costing £825m and offering three national channels.

Dixons is also an enthusiastic member of the five-company consortium planning two channels for transmission on Astra. The others are Mr Michael Green's Carlton Communications, Satchi & Satchi, the advertising and consultancy group, Thames Television, and

London Weekend Television. The retailer wants to ensure that enough high-quality channels are available on Astra to persuade consumers to buy the receivers. Other possible Astra channels include Premiere, the film channel, Mr Rupert Murdoch's Sky, and Screen Sport.

Draft shareholder agreements are being circulated by the new programming consortium. Members are confident that the Independent Broadcasting Authority will allow Thames and LWT to take part.

At the recent seminar on broadcasting at Downing Street, Mrs Thatcher asked Mr John Whitney, the IBA director-general, if there was anything in broadcasting legislation to prevent ITV companies taking part in such a project. Mr Whitney said there was not.

Health authorities 'need £1bn funds rise'

By Michael Dixon

ENGLAND'S district health authorities will need an increase of almost £1bn in funding for the next financial year if they are to expand services to meet the objectives set for them by the Government, according to a survey published today by the National Association of Health Authorities.

The study, based on returns from 106 of the 191 authorities in England, found that "severe difficulties" were causing many of them to defer or cancel planned developments, freeze recruitment and delay payments to creditors.

A key reason for the problems was a £160m shortfall in the allowances provided by the Government to meet pay and price inflation in the past year. Finance was also under strain from rising demand on health-care services, the additional cost of high-technology treatments and pressure to increase the number of patients treated.

Numerous authorities had succeeded in dealing with more patients at a lower cost per head, but the increased demand could not be accommodated without some rise in overall costs, especially given the need to improve services to special groups such as AIDS sufferers.

Mr Philip Hunt, director of the health authorities' association, said that if the Government continued to under-compensate the hospital and community health services for inflation, health authorities would be unable to account for their provision to the public.

The survey indicated that to meet the objectives laid down by the Government, the authorities would have their 1987-88 funding of £11.5bn increased by £935m - or 8.3 per cent - to £12.4bn in 1988-89.

Hotel consortium to launch credit card

CONSORT HOTELS, the hotel consortium, plans to launch a credit card next year in association with the Co-operative Bank. Cardholders will be given a 10 per cent discount on their hotel accommodation when they use the card to settle accounts at any of Consort's 200 hotels.

Aerodrome, Surrey, Mr Keith said London was the worst example. "Here we have the financial capital of the world with only one commercial heliport which itself has severe capacity restraints and is situated some 4km to the west of the City."

Warning to City over lack of heliports

BY MICHAEL DOWNE, AEROSPACE CORRESPONDENT

A SHORTAGE of city-centre landing sites is restricting the expansion of commercial helicopter operations throughout the UK, according to Mr Robin Keith, managing director of European Helicopters.

Mr Keith said that although there were more than 300 heliports involved in commercial operations in the UK, the natural growth in the market continues to be constrained by planning difficulties.

Speaking at the National Helicopter Exhibition at Redhill

Airlines protest against penalties

BY MICHAEL DOWNE, AEROSPACE CORRESPONDENT

MORE THAN 90 airlines serving airports in the UK are protesting to the Home Office over what they believe to be excessive fines and other financial penalties imposed upon them over the carriage of illegal immigrants.

In a separate case, the airlines are also protesting to the Civil Aviation Authority about alleged excessive charges imposed by the recently privatised BAA, formerly the British Airports Authority, for facilities provided at its airports, primarily Heathrow and Gatwick.

The airlines are members of the Board of Airline Representatives in the UK (Baruk). It was set up in 1973 to fight on behalf of all British and foreign airlines serving the UK, against what they believe to be unfair treatment or discrimination against them by the Government, the BAA or other civil aviation bodies.

In their protest to the Home Office, Baruk airlines claim they are being unfairly charged excessive "detection expenses" - the cost of providing food, accommodation and other facilities for immigrants alleged to be arriving in the UK illegally.

Under the 1971 Immigration Act, airlines are liable for costs for as long as unwanted immigrants are held before being sent back to their countries of origin. Those expenses have amounted to several hundred thousand pounds this year.

The airlines accept that they should be held responsible for payment of expenses for up to 72 hours after an alleged illegal immigrant is held, but believe that is enough time for the authorities to decide on each immigrant's case.

To put pressure on the Government, the airlines are only paying the charges for 72 hours and the rest of the money de-

manded by the Government is being put into an escrow account until Baruk has settled the matter with the Home Office.

The airlines are also arguing against what they regard as the arbitrary imposition of the £1,000 fine levied upon them for every alleged illegal immigrant they bring into the UK, under the Immigration (Carriers' Liability) Act introduced last March.

In many cases, airlines accept they are liable for the fines. More than 200 have been paid this year.

However, Baruk claims that immigration authorities are implementing the act harshly and possibly unlawfully, and says airlines are not being given consistent and adequate notification by the authorities of alleged breaches of the law.

In the separate case of alleged excessive airport charges

by BAA, Baruk argues that "commercial" charges, or the cost of using air jetties, check-in desks, staff car parks and other facilities provided by BAA, especially at Heathrow and Gatwick, are excessive and that increases for 1987-88 are well above inflation rates.

Those charges are not controlled by a specific pricing formula laid down by the Government.

Baruk believes BAA may be exploiting its privileged position as a monopoly supplier of such facilities "and accordingly a meeting with the Civil Aviation Authority is being sought to review the whole area of commercial charges."

The CAA has the power to order BAA to correct such charges, if it finds that the airlines' case is just. If BAA declines, the matter can be referred to the Monopolies and Mergers Commission.

Commerce complex for Belfast

BY OUR BELFAST CORRESPONDENT

THE NORTHERN Ireland economy was given a significant lift yesterday with the announcement that a new property company is to build a multi-million pound shopping, office and industrial complex in the centre of Belfast.

The development, on the site of the former Gallaher tobacco factory in the north of the city, is being undertaken by Ewartco, an equal partnership between the Manchester-based Co-operative Wholesale Society (CWS) and Ewart New Northern (ENN), a local property company.

CWS's Belfast Co-op retailing operations will move to the complex when it is completed within the next three years.

Ewartco also intends to pursue other retailing developments throughout the province

and has identified possible sites. Mr John McClenahan, executive director of Ewartco, said: "We appreciate that the northern commercial sector of Belfast needs a facelift. One of the partners, ENN, has already pioneered projects in the city and we intend to build on their impressive track record."

Plans for the Gallaher scheme are at an early design stage but the site will be redeveloped to provide a 40,000 sq ft CWS supermarket food hall as well as a modern home furnishings department.

The development will also include about 40 smaller shops linked by a central mall, and several small industrial workshops.

About 300 people will be employed in the complex and

there will be parking for 1,000 cars.

Mr James O'Neill, secretary of the Belfast Co-op, said: "I am very pleased that we have joined with Ewartco in the development of sites in Belfast, and the north of Ireland."

"As far as I am concerned they are a very progressive organisation and this augurs well for the future."

CWS took over Belfast Co-op in 1983 and since then has put more than £4m into the Co-op retail, milk, funeral and travel business sectors in Belfast.

Mr John Maitroy, Ewartco's chairman, said: "This venture, and the others we have in the pipeline, represents a tremendous vote of confidence in the future economy of Northern Ireland and in north Belfast in particular."

University research for Alvey 'doubled'

BY DAVID FISHLICK, SCIENCE EDITOR

UNIVERSITIES have made twice as big a contribution to the £350m Alvey research programme in information technology as was envisaged when the programme began.

This was disclosed by Professor Eric Ash, rector of Imperial College, London, in his presidential address to the Institution of Electrical Engineers in London last night.

Professor Ash urged British industry to spend more generously on university research. He believed companies should spend between 2 per cent and 10 per cent of their research budgets in academia, whereas they were spending 1 per cent to 2 per cent or less.

He said the Alvey Directorate - a joint programme between industry, government and universities to lay the basis for a new generation of computers - had

allocated 14 per cent of its budget to university research.

In fact, universities had proved "much more useful than had been anticipated at the outset." They had received 27 per cent of Alvey cash.

Professor Ash acknowledged that Alvey was a special case since it was confined to pre-competitive research, and it concerned an area where the universities had carried out most of the pioneering work and were therefore in a strong position.

It does not follow that in other research areas it would still be advantageous to spend as much as a quarter of the total resources in academia.

However, industrial companies rarely budgeted for more than 1 per cent to 2 per cent of their research to be spent in universities, he said.

Channel Islands airline takeover

AURIGNY Air Services, based in the Channel Islands, has taken over Guernsey Airlines, owned by British Air Ferries. Aurigny is owned by the Excior group of companies and has nine Tridenter and two Islander aircraft for use on services between the Channel Islands of Jersey, Guernsey and

Alderney and services to Southampton, Dinard, Cherbourg and Bournemouth. Guernsey Airlines has services from Gatwick Airport, London and from Manchester to the Channel Islands. Aurigny Air Services carries 280,000 passengers a year and expects the takeover to add 140,000 passengers annually.

Ridley tells councils to control staff rise

BY RICHARD EVANS

MR NICHOLAS RIDLEY, Environment Secretary, warned local authorities in England yesterday that they must "get a grip" on their manpower numbers following publication of figures showing an increase for the eighth consecutive quarter.

The latest returns from the Joint Manpower Watch showed that the total numbers employed increased by 6,221 full-time staff and 36,877 part-time staff, a total full-time staff equivalent of 21,592 or 1.1 per cent between June 1986 and June this year.

Mr Ridley "noted with sadness" this latest evidence of the increase in local authority manpower in England. "Local authorities have this year budgeted to increase expenditure above the rate of inflation."

Scots Tory appointment

BY JOHN HUNT

REORGANISATION of the Scottish Conservative Party continued yesterday with the appointment of a campaign director to improve organisation in local and general elections and highlight government policies in Scotland.

The job has gone to Mr Peter Smith, currently deputy Conservative Central Office agent in Yorkshire and formerly deputy director of the party in Scotland from 1982 to 1983.

The shake-up follows the poor Conservative showing in Scotland in the general election, when the party lost 11 seats

This announcement appears as a matter of record only.

Touche Ross Management Consultants and specialist hotel, catering and tourism consultants Greene Belfield-Smith are pleased to announce that they have agreed to merge their firms with effect from 1st October 1987.

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NORTHERN IRELAND

The Financial Times proposes to publish a Survey on the above on Thursday, December 3, 1987

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FINANCIAL TIMES
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SOUND DIFFUSION PLC
PRELIMINARY STATEMENT OF RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 1986

	Year to 31.12.1986	Year to 31.12.1985
Turnover	£000	£000
Profit before taxation and Extraordinary items	40,561	36,225
Taxation	5,668	5,828
Minority interests	(324)	(285)
Profit attributable to Shareholders before Extraordinary items	(2)	(2)
Extraordinary items	5,342	5,541
Profit attributable to Shareholders	5,342	5,541
Rate of dividend	12.02%	10.02%
Amount absorbed by dividend	(836)	(697)
Earnings per share	3.84p	3.99p

- Notes:
- The figures for 1986 are based on accounts which the auditors have given an unqualified report and which will be delivered to the Registrar of Companies in due course.
 - Shareholders' funds increased to a total of £22,339,000 at 31st December 1986 (1985: £17,833,000).
 - A net dividend of 0.601p per share is proposed, being a 20% increase over the net dividend of 0.5008p per share for the previous year, and will be despatched on the 25th November 1987 to the Shareholders appearing on the Register at the close of business on 22nd October 1987 if approved at the forthcoming Annual General Meeting.
 - The Annual General Meeting will be held at the Brighton Centre on Thursday 29th October 1987 at 2.15 pm.
 - The above accounts are abridged within the meaning of the Companies Act 1985.

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UK NEWS

Lucas to set up joint parts operation with Fiat arm

By ARTHUR SMITH, MIDLANDS CORRESPONDENT

LUCAS INDUSTRIES, the Birmingham-based motor and aerospace components supplier, has reached agreement with Magneti Marelli, a subsidiary of Fiat of Italy, to set up a joint company that will claim 25 per cent of the European market for starters and alternators.

The new company, with a turnover of about £150m a year, is projected to be second in size only to Bosch of West Germany.

Lucas will hold only a minority shareholding in a company that will look to the economies of scale of a total European market not available to a purely UK operation hit by a contracting assembly base.

Lucas held detailed talks in London yesterday with Magneti Marelli and an announcement on the deal is imminent. The sale of the starters and alternators operation is likely to mirror that of the sale of Lucas's lighting operation to Corrolo of Italy, announced in June this year, when the UK company kept only a 40 per cent equity stake in an operation that passed into the hands of an Italian company.

The Lucas starters and alternators factory in Birmingham is three years into a five-year £15m government-backed investment programme involving dramatic changes in manufacturing, work practices and products. In spite of the co-operation of the workforce and the shedding of several hundred jobs, the operation is not viable without access to wider European markets.

Magneti Marelli, the motor components holding subsidiary of Fiat, can offer an operation which gives Lucas access to new markets.

The sale of the starters and alternators operation marks another stage in the rundown of the Lucas Electrical operation which in 1979 had 13 factories and 17,000 workers in the West Midlands. This latest stage will leave Lucas Electrical with a run of about 2,300 workers in just three markets.

Lucas Batteries, with 500 workers in Birmingham, is held within the group but looking for international collaboration to guarantee a long-term future.

The switchgear operation in

Burnley with 600 workers is seeking a European partner for growth.

Lucas sees the main opportunity for growth within its former wide-ranging electrical operations, lying with the engine management system based in Birmingham, with 1,000 workers. Here Lucas is looking for a European company to form a genuine partnership to seek new markets to take advantage of its technological achievements.

Lucas has stressed that its automotive operations which account for more than £1bn of its £1.6bn a year turnover, are also important to future development.

Mr Bob Dale, appointed chief executive of automotive operations, has been conducting an in-depth inquiry into prospects for the five divisions within the automotive sector which embrace the Gillingham operation, the CAV diesel injection company and the electrical and worldwide service operations.

Car parts sector's size revealed

By JOHN GRIFFITHS

A JOINT INITIATIVE by the University of Cardiff's economics department and the Welsh Office has led Wales-based motor component suppliers to realise that collectively they employ more people than the Welsh coal or steel industries.

The Welsh Office hopes the realization will prompt the sector to investigate the possibility of regional co-operation - possibly to the extent of collaborating to produce vehicle sub-assemblies.

At present, most of the companies produce a wide variety of individual components.

The smaller among dozens of individual companies were invited by the Welsh Office to an exploratory seminar to discuss

the sector's potential and told that their total 20,000 employees now represented 10 per cent of the Welsh manufacturing workforce.

This eclipses the 15,000 employed in the second-placed coal industry.

The companies include Ford's Bridgend plant in South Wales, Electronics near Cardiff, which supplies instruments for Jaguar and Lucas Gillingham and Alfred Teves, both braking systems producers.

The university's Professor Garel Rhys, who is the Society of Motor Manufacturers and Traders' professor of motor industry economics, said some companies were taken aback at

the size of the sector and its wide distribution in the principality.

The purpose of the seminar, said Professor Rhys was twofold.

"We wanted to give them information about the industry and to help build links between the firms themselves."

He said it was hoped that the industry would meet regularly to review co-operation prospects. While no actual moves have so far been made, the creation of a formal regional grouping is not being ruled out.

Apart from manufacturing collaboration, said Professor Rhys, it was hoped to identify cost-saving opportunities.

Rover likely to shed 150 technicians

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MORE THAN 150 redundancies among the state-owned Rover Group's technical staff are likely to result from a review of operations at Gaydon Technology, the subsidiary based near Warwick.

Gaydon, which has a turnover of about £20m a year and is profitable, is almost certain to lose its independence as a result of the review which is to be completed by the end of the year.

The most likely outcome is that Gaydon will be absorbed by Austin Rover, the group's vehicle

cars business, the engineering staff of which will be affected by the redundancy programme.

Rover said that a small number of hourly-paid employees would be made redundant as a result of changes which would achieve more effective use of resources.

The group made it clear that there was no question of closing Gaydon, where £30m has been invested since 1979 and a £3m vehicle emissions control centre is being installed.

However, Rover claimed that nearly all the Gaydon time and test facilities in future would be used by Austin Rover or Land Rover, the group's light four-wheel-drive vehicle subsidiary.

Gaydon's scope for winning work from outside the group would be severely limited and it would probably be sensible to bring Gaydon and Austin Rover administratively closer together.



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RAMSES HILTON

Talks on public spending continue

By Janet Bush

TALKS between ministers on public spending levels are still in progress and when they are completed the so-called Star Chamber which resolves any outstanding problems will meet, according to Treasury officials.

The Cabinet met yesterday morning and, according to Whitehall spokesmen, public spending was not on the agenda and did not come up as a subject for discussion.

The officials described as "over-optimistic" a newspaper report yesterday which suggested that the Treasury and other departments were close to agreement on next year's public spending.

Treasury officials said yesterday that they were unaware of any official assumptions about either growth or inflation next year which would support suggestions that there is scope for expenditure to rise to almost £155bn while falling as a proportion of gross domestic product.

The official line is still that spending could be boosted by £2.5bn above the £154.2bn public expenditure planning total and still maintain public spending at the planned proportion of GDP.

The officials were unable to confirm whether faster than expected economic growth this year could permit a larger addition.

Building societies' concern

By Hugo Dixon

HIGH EARNERS are deserting the building societies and turning to other financial institutions, according to a survey published by the Harris Research Centre. Societies are concerned because lending to those on high incomes is the most profitable type of mortgage business.

Harris interviewed 605 people who were either earning more than £20,000 a year or in the AB socio-economic classes. Of these, 68 per cent had obtained mortgages from a building society but only 54 per cent of those earning more than £30,000 had done so.

Twenty-three per cent had mortgages from banks, and 40 per cent said they intended to go to a bank for their next mortgage. Five per cent had taken mortgages through insurance companies and 15 per cent intended to approach insurance companies next time.

Unattractive interest rates and long-winded procedures were given as the main reasons for dissatisfaction.

● Nationwide Anglia, Britain's third-largest building society, today began moving its gilt portfolio in a move which should increase liquidity in the gilt market.

The decision makes Nationwide Anglia the first society to take advantage of regulations which came into force yesterday allowing societies to lend gilt-edged stock to approved Stock Exchange money brokers.

It should also improve the society's profitability, as lenders of stock receive a fee equivalent to 1/2 of 1 per cent a year.

Minister backs credit register

By Hugo Dixon

MR FRANCIS MAUDE, Minister for Consumer and Corporate Affairs, has supported calls for a national credit register as a way of minimising over-indebtedness by individuals.

However, Mr Maude told a conference organised by the credit reference agency, that the Government had no intention of setting up and overseeing such a register.

Mr Maude's preferred solution is for more financial institutions to provide information to existing credit-reference agencies. Financial institutions could check these registers before making a loan to see how much a customer had borrowed.

Eric Short on proposals to radically alter unit trust dealings

Getting tough to protect investors

INVESTORS dealing in unit trusts may in future not know at which price they are buying or selling units until after the deal. Unit trust managers may no longer be able to trade internally in their own units.

These are two of the radical changes in unit trust operations being proposed by the Securities and Investments Board - the new investor protection watchdog - under draft regulations published yesterday.

Under the 1986 Financial Services Act, SIB is taking over from the Department of Trade and Industry the regulatory role for unit trust operations.

Although unit trust groups will be authorised by the Investment Managers Regulatory Organisation and the marketing of unit trusts will be controlled by the Life Assurance and Unit Trust Regulatory Organisation, SIB will not delegate the operational control to these or any other self-regulatory organisations.

The DTI and SIB issued consultative papers last year setting out proposals for the regulatory system. The draft rules are based on those documents and the views and reactions expressed by the unit trust industry.

The current document points out that many aspects of the existing regulatory regime have stood the test of time and the draft rules leave the main framework largely unaltered, even if to date there is no evidence of widespread abuse.

The proposed rules start with the pricing of unit trusts and at what prices dealings take place. Even if to date there is no evidence of widespread abuse, the DTI and the industry.

Nevertheless, SIB proposes to introduce certain radical changes on the premise that where there is scope for abuse by managers it must be stopped, even if to date there is no evidence of widespread abuse.

The proposed rules start with the pricing of unit trusts and at what prices dealings take place. Even if to date there is no evidence of widespread abuse, the DTI and the industry.

COMPANY LAW restricts banks and securities houses from showing their full profits on securities trading, but the British Bankers Association and the Accounting Standards Committee are investigating.

Many financial institutions already break the law technically, by showing their portfolios of securities at market value rather than at the price they paid - a practice known as "marking to market". This enables them to recognise notional profits on securities even though they have not turned the profits into cash.

This practice, which contravenes company law that requires a company's stock to be carried at no more than cost, is followed by more than half of all securities houses, said Mr Roger Munton, a partner with accountants Coopers & Lybrand.

For light touch, the practice is being followed because they thought it would be against the law.

"It's not going to say that they are breaking the law, but there is a query," said Mr Michael Renshall, chairman of the ASC.

"If you mark to market, it could mean that you bring in an unrealised profit."

When assessing performance internally, it is usual for a portfolio to be shown at its current market price. "It is ridiculous not to do this in the market," said Mr Renshall.

But the practice is misleading information, he said.

The need for a review has been called for "the use of securities in transactions in marketable securities," said Mr Renshall.

'Abnormal deals' rule nearer

By RICHARD WATERS

A REQUIREMENT for companies to disclose details of any "abnormal" dealings with related companies moved a step closer this week when the Accounting Standards Committee agreed in principle that accounts should contain this information.

This marks the latest in a prolonged attempt by the committee, which sets accounting standards, to tackle abuses in this area. Companies which are members of the same group, or which have a common large shareholder, may indulge in deals which are not priced commercially to move profits from one company to another.

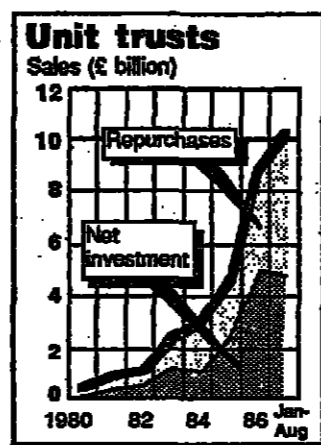
Mr Michael Renshall, the committee chairman, said yesterday: "It is a contentious issue. Not all related party transactions are sinister or improper or carried out at anything other than market value."

Deals between companies are likely to be considered abnormal if they are out of the ordinary or if they are at prices out of line with those in the market. A draft accounting standard outlining how these rules will be applied in practice is expected to be published early next year.

Companies may be forced to disclose a shareholding relationship with other companies, even if no single transaction between them is large enough or abnormal enough to be disclosed.

This could be damaging to British companies which, for political reasons, conceal a relationship with an overseas trading partner, said Mr Renshall. Such concealment is unethical but reflects "the realities of commerce," he said.

The new rules come only two weeks after Bryant disclosed that it was looking for merger partners following a £186,000 net loss for the six months to June 30.



lished price. These prices, shown in certain newspapers, would normally relate to asset values on the day previous to publication for UK based funds, but there could be a longer time lag for overseas based funds.

The manager has the opportunity to trade in his units based on events that have happened in the stock markets since the unit price was calculated.

SIB proposes to change to a "forward pricing" system, which is used for US mutual funds. Dealings would be based on the price calculated after an order to deal had been received.

This would prevent any manager or investor dealing on a knowledge of events not reflected in the unit price. But it means that the investor would not know in advance the price at which he was dealing. SIB accepts that this could be viewed as disadvantageous, but considers that this is outweighed by the advantages.

However, Mr Paul Bateman, marketing director of leading unit trust group Save and Prosper, believes the move would enable intermediaries to sell life bonds rather than unit trusts, since the bonds would operate on the old system of a known dealing price.

Sir Kenneth Berrell, chairman of SIB, accepts that this difference does not conform to the "level playing field" principle between investment media. Although pricing of unit-linked life products is still the responsibility of the DTI, he hopes that it can be brought into line.

The other principle change proposed for unit trust operations relates to managers creating or selling units independently of receipt of dealing orders - known as running a "box".

A manager should in theory ask the trustee to create the necessary units to meet a buy-

ing order and cancel units for a selling order. By buying and selling orders coming in constantly, the manager will keep a box of units rather than become involved in creating and cancelling units.

However, this situation can be carried to extremes with managers creating backdated units and taking advantage of known market movements.

So, while managers can still run a box of units already created, SIB plans to ban the back creation of units so that managers should not be able to sell units that have not been created. In addition, dealing decisions of the managers would have to be taken promptly and notified promptly to the trustees.

SIB considers that managers should inform trustees within two hours from the time of setting the dealing prices and the number of units to be created or cancelled.

Managers could well fix such a time for UK funds at the close of dealings in the underlying securities towards the end of the day and handle all transactions received that day.

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English Estates to be reviewed

By Our Accountancy Correspondent

ENGLISH ESTATES, the government-owned industrial and commercial property developer and manager, has called in outside consultants to carry out a full review by the end of the year.

The review, to be conducted by Peat Marwick McLintock, the accountancy firm, is expected to lead to a shake-up in the company which is the largest property developer and manager in Britain and plays a central role in the Government's plans for economic regeneration in Britain's industrial heartlands.

The consultants will consider the company's strategy and organisation, the way it uses its resources and quality of its financial controls.

Link starts cashless shopping trial

By HUGO DIXON

LINK, one of Britain's biggest cash dispensers, has started a trial of its first electronic cashless shopping experiment.

Under an agreement with BP, and oil company, any of Link's 32m cardholders will be able to use their cards to buy petrol and withdraw cash at 22 BP service stations near the M25 motorway. The cards have been limited to obtaining money from the cash-dispensers run by the 25 financial institutions that make up Link.

Link's move is significant in that it will charge BP a fixed amount for each transaction, rather than a fee proportionate to the value of the purchase. Earlier this year, there was a row between Barclays and its retail partners over its plan to charge a proportionate fee.

The decision by Link to set up its own experiments further undermines the nationwide cashless shopping scheme being set up by Eftpos UK, a company run by Britain's leading banks. Link said yesterday it plans two further experiments this year.

David Thomas and Terry Dodsworth on the background to a telecommunications merger

Plessey and GEC agree to cross lines

THE FIRST act in one of the longest-running dramas - some would say farces - in British industry closed yesterday when General Electric Company and Plessey agreed in principle to merge their telecommunications interests in a 50-50 joint-owned company.

A £12bn turnover company will be created, with broad interests in public and private telecommunications, transmission and data communications.

The move appears to bring to an end fraught relations between the two companies which

reached their lowest ebb last year when Plessey, with the help of the Monopolies and Mergers Commission, fought off a hostile bid from GEC.

The commission did isolate one area where the merging of the two companies' interests would be beneficial, which was their overlapping manufacturing capacities for the System X digital telephone exchange, which they had both developed.

The commission's judgment echoed the view of most observers of the industry, who had watched with mounting despair

as GEC and Plessey made sporadic attempts, dating back to at least 1983, to sort out problems over their collaboration on System X.

In spite of the friction which the bid had caused, Mr David Dey and Mr Richard Reynolds, who head respectively the Plessey and GEC telecommunications divisions, started another round of talks within months of the commission report.

Yesterday's announcement shows that their ambitions went beyond what the commission was suggesting because they in-

tend to combine all their telecommunications equipment interests and not just System X in what Plessey described as "an incredibly bold move."

Although that will not propel the merged GEC-Plessey telecommunications group far up the world league of telecommunications manufacturers, it will release the sort of resources needed when development costs for telecommunications equipment are spiralling upwards.

In financial terms, the deal means much more to Plessey

than to GEC. Telecommunications account for 48 per cent of Plessey's activities, with sales of £281m, but only 13 per cent of its larger rival's business (at £749m).

Both companies have a wide range of activities, with the largest proportion of sales tied up in System X, which accounted for £450m of their joint turnover last year. While System X represents the glamorous side of the business, they are both equally active in the transmission sector and in private telephone exchanges.

UK NEWS

Dennis Kavanagh compares the Heath and Thatcher Governments

A tale of two prime ministers

MRS THATCHER will shortly back in the adulation of her party conference. She knows that her position in history is secure. But what of the last Conservative Prime Minister, Mr Edward Heath? During this year's general election campaign Mr Heath lamented: 'An attempt has been made to obliterate me from the history books and certainly from public life.' He was correct. He was not mentioned in the party's Campaign Guide 1987.

It is likely that historians will compare Mr Heath, to his disadvantage, with Mrs Thatcher. The similarities between the two are striking. Both represented a more meritocratic strain in a blue-blooded party. They came from comparatively modest backgrounds, won scholarships to local grammar schools and Oxford, and were, in Mr Heath's words, 'products of opportunity'.

In 1970 the programme of the Heath Government, like that of Mrs Thatcher in 1979, promised a clear break with the post-war consensus. His economic policies were regarded at the time as a major challenge to collectivism and as a step in the direction of more free-market policies.

The programme encompassed a limitation on trade union privileges, reduction of state intervention in the economy, avoidance of a formal price and incomes policy, cuts in public spending and direct taxes, and greater selectivity in welfare.

The Heath Government soon felt itself forced to make U-turns. It put its industrial relations legislation on hold, increased public spending and, most spectacularly, intervened in industry and introduced a statutory price and incomes policy. Its downfall in 1974 (and that of the Callaghan Government in 1976) seemed to confirm the conventional wisdom that Governments could not govern without the consent of the unions and could not be re-



Edward Heath: forced to make U-turns



Margaret Thatcher: 'slaying dragons'

elects with high levels of unemployment. Mrs Thatcher has managed to rewrite the guide books in this area.

The lessons of history are selective, and the personalities and events of the recent past are invariably invoked by present-day political rivals to fight contemporary battles. Since 1979, Tory 'wags' and Labour critics of the Government have praised the 'one nation' policies of Mr Heath and earlier Tory Governments in their attacks on Mrs Thatcher.

In line with the dictum that winners write history, however, the Thatcherites have had the last word. They regard the Heath record as illustrating a failure of political will and the abandonment of political principles. They see the experience of the Heath Government (and succeeding Labour Governments) as confirming the political bankruptcy of the Keynesian and collectivist approach. Mr Heath's policy reversals reflected the lack of ideological underpinning for the policies. In the absence of principles, opportunism prevailed. In many respects Mrs Thatcher has made her reputation as an anti-Heath figure.

The contrasts are many. She

has won her big battles with the miners and other unions, made her industrial relations legislation stick, rejected the 'social partners' style of economic management and is more pro-American than pro-European. Her privatisation programme has fundamentally redrawn the boundaries between private and public sectors. Above all, she has restored the authority of government which was in tatters in the 1970s.

The dragons that she claims to have slain, notably inflation, are largely a legacy of Mr Heath's Government. The spectre of trade union power and fear of inflation were dominant themes in British politics in the 1970s and impressions of his term are still affected by the manner of the downfall.

It is remarkable to reflect how little remains of the Heath Government's legislation. The succeeding Labour Government immediately scrapped the industrial relations and housing finance policies. It abolished the statutory controls on incomes and reintroduced compulsory comprehensive education. Britain's membership of the European Community was thrown into the melting pot by

Labour's decision to renegotiate the terms and hold a referendum.

Mr Heath's reform of the machinery of government also proved short-lived. The 'super-departments' - of trade and industry, and the environment - were broken up. Programme and Analysis Review was formally abandoned in 1979 and Mrs Thatcher disbanded the Central Policy Review Staff, or 'think tank', in 1983.

In defence of Mr Heath, it could be said that he faced a less sympathetic climate of opinion than Mrs Thatcher. The Labour Party moved sharply to the left and was obstructive. His Government was the first to feel the brunt of the more powerful labour movement and the inflationary pressures from the quadrupling of Arab oil prices.

In his determination to preserve full employment, Mr Heath showed that he was a child of the post-war consensus. Maintaining full employment was not mentioned in the 1970 manifesto because it was taken for granted. Yet pursuing this goal was important in producing the U-turn, notably the incomes policy. It was only when the unions over-reached themselves in the winter of discontent that a new Government was able to take action against them. Mr Heath was not only the last Prime Minister to have a statutory incomes policy, he was also the last to pursue economic growth in terms of full employment.

Mrs Thatcher learned from his failure and was the first leader not even to try to maintain the post-war consensus. She is the product of Mr Heath's failure and the crumbling of the post-war consensus.

The author is professor of politics at Nottingham University. This article is based on his contributions to *Ruling Performance*, edited by Peter Hennessy and Anthony Seldon, and published by Basil Blackwell.

IBM to sell terminal for leisure industries

By Alan Cane

INTERNATIONAL Business Machines, the world's largest computer manufacturer, has staked its claim to a place at the pub and club bar with the launch of a computerised cash terminal for the leisure industries.

Designed in collaboration with Scottish & Newcastle Breweries, the terminal is essentially an IBM Personal Computer with a modified case housing a cashbox, keyboard, video screen and mini-printer.

Scottish and Newcastle has already installed 50 of the terminals, which price drinks and food automatically, analyse stock levels and send reports electronically to head office.

According to Mr Alastair Mowat, a director of Scottish & Newcastle, the brewery plans to invest nearly £1m to equip its public houses in the Newcastle area with the terminals in the first phase of a re-equipment programme. The terminals with software cost £2,000 each.

Most Scottish & Newcastle public houses in Scotland already use electronic point of sale equipment built by the Scottish company Zonal.

Mr Mowat said that Scottish & Newcastle was discussing with IBM the possibility of a joint venture to market the terminal to other breweries, restaurants and clubs.

Mr Tony Cleaver, chief executive of IBM UK, said: 'We have designed, developed, built and sold a uniquely UK product specifically for the UK market.' According to a survey by ICL, the UK's only mainframe computer manufacturer, electronic cash systems are beginning to take off in the UK and the greatest growth will be in pubs and restaurants. By 1988, it says, 40 per cent of major outlets will have electronic cash terminals compared with 1 per cent today.

Silkolene Lubricants

INTERIM REPORT

Year ended 31 December 1986	£000	Six Months ended 27 June 1987	£000	Six Months ended 28 June 1986	£000
23,136	Turnover	11,160	11,936		
789	Profit before tax	966	31		
369	Profit/(Loss) attributable to shareholders	580	(228)		
10.6p	Earnings per share	13.8p	0.2p		
6.0p	Dividend per share	4.0p	3.0p		

(Six months' figures unaudited)

Profits at record level

‘An encouraging start has already been made to the second half of the year and, in the absence of any dramatic change in market conditions, the Directors feel confident that the full year result will be at a record level.’

R. G. Dalton, Chairman

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Silkolene
LUBRICANTS

Lord Lane to hear Best appeal against sentence

LORD LANE, the Lord Chief Justice, is to preside over the appeal by Mr Keith Best, the jailed former Tory MP, next Monday.

Mr Best, a 38-year-old barrister, was convicted at Southwark Crown Court on Wednesday of attempting to obtain British Telecom shares by deception in 1984, and received a four-month jail sentence. He is expected to be taken from Brixton prison to the Court of Appeal for the hearing.

Mr Best, who represented Yvonne Moon, Anglessey, from 1979 until his resignation earlier this year, was also fined £3,000 by Judge Gerald Butler QC.

Court officials confirmed that Lord Lane will sit with two High Court judges.

Mr Best had denied trying to make a dishonest profit out of the BT share launch, but was told by Judge Butler that he had engaged in carefully calculated acts of dishonesty.

MSC chief warns of skill crisis

By Charles Leadbeater

IGNORANCE, incompetence and amateurism still hinder the recovery of the British economy, Sir Bryan Nicholson warned yesterday in his final speech as chairman of the Manpower Services Commission.

Sir Bryan is due to leave the MSC at the end of this month, after three years in the job, to become chairman of the Post Office.

In a highly critical review of employers' approach to training, he said the commission's promotion of training had persuaded many employers to talk more about the subject. However, too few had taken action to improve their training programmes.

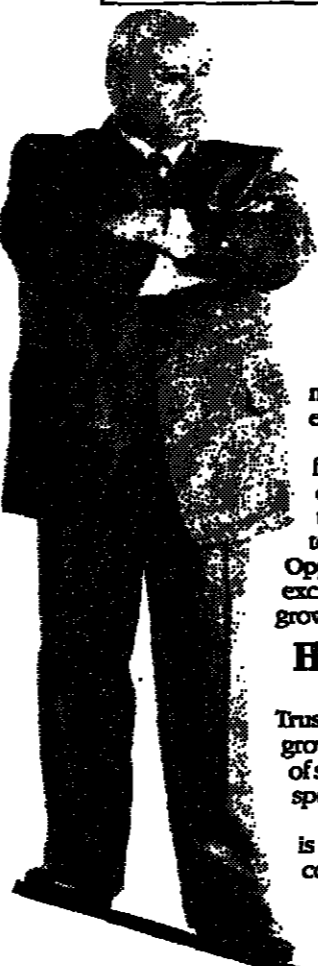
Sir Bryan said: 'All kinds of factors point to a possible skill crisis in the years ahead, and that crisis will not be averted by government action alone.'

'The improvements being sought in education, in the Youth Training Scheme and in training for unemployed people will not be enough in themselves. Employers must put their money where their mouth is and start to invest heavily in people.'

NEW FIDELITY EASTERN OPPORTUNITIES TRUST

Invest in the new generation of growth in the Far East!

FIXED PRICE OFFER 25p



In recent years, the dynamic stock markets of the Far East have provided excellent returns for many investors.

As the region changes and develops further, new, smaller companies are now emerging in these markets and, at the same time, new markets are themselves coming to light. The launch of Fidelity Eastern Opportunities Trust is timed to capture these exciting opportunities - the new generation of growth companies in the Asian Pacific.

Hand picked investments...

The new Fidelity Eastern Opportunities Trust aims to produce maximum capital growth from an actively managed portfolio of smaller and emerging companies and special situations in the Asian Pacific.

One of the key features of the new Trust is that the investment philosophy will be to concentrate on individual stock selection.

This means that you can share in the success of companies selected purely on their individual merits - wherever and whenever they emerge within the region.

...for faster growth.

The Managers will be free to seek out the most attractive growth investments from all the markets in the region - without constraint.

For example, they will be singling out the smaller, new companies in the more mature markets such as Japan, Hong Kong and Singapore where, in recent years, the investment focus has been on front-rank blue chip shares and large companies while smaller stocks have, until now, largely been ignored.

At the same time, the Trust will invest in the new generation Asian Pacific markets, including new emerging opportunities in the already dynamic markets of Korea and Taiwan and the lesser known markets like New Zealand, Thailand, Indonesia and markets such as China as and when they emerge.

Fidelity, the Far East specialist.

As many investors already know to their benefit, Fidelity has a record of considerable success in the Far East. In fact, we've earned a front-ranking reputation as specialists in this area.

IMPORTANT INFORMATION FOR ALL INVESTORS

A contract note for your application will normally be sent within 5 working days. Unit certificates will normally be sent within 15 working days of receipt of redemption. The estimated net asset value of Fidelity Eastern Opportunities Trust is at the fixed offer price of 25p per unit until 9th October 1987. Thereafter units may be bought at the current daily offer price which may be set on any day at the bid price ruling. You will receive a cheque within 7 working days of your receiving your redemption certificate. Accumulation units only will be issued. Any income will be accumulated in the Trust and its value reflected in the unit price. Investors will receive a tax voucher on 31st March each year (at 15th February) commencing 1st March 1988. An initial charge of 5.25% is included in the fixed offer price of units out of which the Managers may pay remuneration to qualified intermediaries. Rates are available upon request. The Trust pays an annual charge to the Managers out of income (or capital if there is insufficient income) of 1.25% plus VAT of the value of the fund. The Trust Deed contains powers for the Managers and Trustees, by supplemental Deed without sanction of a meeting of unit holders, to take power to use currency futures and forward currency contracts as hedging techniques, should they be permitted by the Department of Trade and Industry, to make changes in payment procedures or rates from or to persons connected with the Managers or the Trustees and to make changes in the names in line with the then current requirements for authorised unit trusts. The Managers may also seek to relieve the objectives of the Trust by transacting in traded options. Check your long-term price and yields in the Financial Times, Daily Telegraph, Oracle page 974 and on Proton 481548. Trustees: Clydesdale Bank PLC. Managers: Fidelity Investment Services Limited. Registered Office: 80, Tonbridge, Kent TN9 1DW. Registered Company Number: 2016999. The Trust is a wider-range investment as defined by the Trusts Investment Act 1961 and is authorised by the Department of Trade and Industry. Member of the Unit Trust Association. Offer not open to United States citizens, residents of the United States or the Republic of Ireland.

For example, in the past 12 months, our South East Asia Trust has grown 80.1%* and, over 5 years, the offer price of Fidelity Japan Trust has grown 647.8%*, making it the second top performer of all unit trusts over the period.

A key element in Fidelity's investment success is the access we have to local knowledge through four of Fidelity's affiliates' offices strategically located in the Asian Pacific Basin.

Last year alone, local Fidelity analysts made over 400 company visits in the region making them better equipped to spot the new opportunities.

Higher risk. Higher reward.

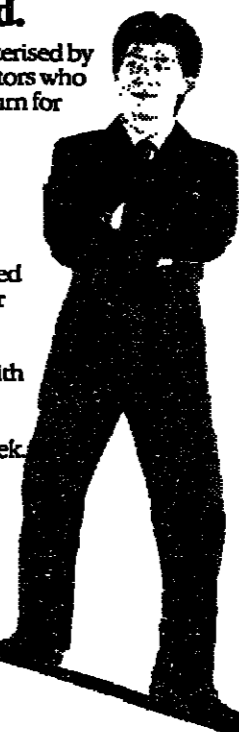
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Sime Darby

Sime Darby Berhad

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of Sime Darby Berhad will be held at the Pan Pacific Ballroom, Pan Pacific Hotel, Jalan Putra, 50350 Kuala Lumpur, Malaysia on Saturday, 24th October 1987 at 11.30 a.m. for the following purposes:

- To receive and adopt the Directors' Report and the Accounts for the year ended 30th June 1987 and the Auditors' Report thereon (Resolution 1)
- To declare a final dividend for the year ended 30th June 1987 (Resolution 2)
- To elect the following Directors:- (Resolution 3)
- Tunku Naquiyuddin ibni Tuanku Ja'afar (Resolution 4)
- M.S. Berry (Resolution 5)
- Wee Cho Yaw (Resolution 6)
- Michael Wong Pakshong (Resolution 7)

To consider and, if thought fit, pass the following Resolution as a Special Resolution pursuant to Section 129(6) of the Companies Act, 1965:-

'That pursuant to Section 129(6) of the Companies Act, 1965, YAB Tan Tan Siew Sin be re-appointed Director of the Company to hold office until the conclusion of the next Annual General Meeting' (Resolution 7)

To re-appoint Price Waterhouse as auditors of the Company and to authorise the Directors to fix their remuneration (Resolution 8)

By Order of the Board
Mohamed Hal Said
Secretary

Kuala Lumpur
30th September 1987.

Note
Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

UK NEWS - LABOUR AT BRIGHTON

Livingstone savaged on nuclear defence

ACCUSATIONS of political opportunism and immaturity were levelled at Mr Ken Livingstone, the hard-left MP for Brent East, when the Labour conference reaffirmed the party's commitment to a non-nuclear defence policy at Brighton yesterday.

Close supporters of Mr Neil Kinnock, the Labour leader, savagely denounced his warning, delivered at a Tribune rally the previous day, that the party would be plunged into civil war if any attempt were made to use the comprehensive policy review agreed this week to change its unilateralist stance on nuclear disarmament.

Mr Tony Clarke, of the Union of Communication Workers, speaking on behalf of the national executive, swept aside the protests from other left-wingers as he subjected Mr Livingstone, sitting in the seats reserved for MPs, to a stinging rebuke.

He complained that it had only been outside the conference hall that one delegate had suggested that Mr Kinnock, who had been campaigning for 27 years to get nuclear weapons removed from Britain, might seek to resist a composite motion reaffirming the non-nuclear defence policy.

Mr Clarke revealed that 2½ hours before the speech was delivered - a text had been circulated in advance - he told Mr Livingstone that the NEC would be recommending acceptance of the resolution.

Glancing at Mr Livingstone - whom he did not name - he said: "I find that disgraceful, immature and beneath the dignity of a Member of Parliament."

Mr Clarke told the protesters: "You do not like it. But it is true."

Echoing an earlier injunction from Mr Kinnock, he insisted that no one could be allowed to divert the party from its prime objective - "winning the next election."

The savaging of Mr Living-



Denis Healey: caustic rebuke to Livingstone on his choice of reading

stone - not called to speak in the debate - was initiated by Mr Denis Healey, the former shadow Foreign Secretary.

He rounded off an appeal for the policy review to be conducted on a comradely basis by insisting that there was no room for threats or warnings.

To cheers, Mr Healey said: "I do not think the movement will forgive anyone who tries to exploit the difficulties of the arguments for personal political advantage."

Without identifying Mr Livingstone by name, Mr Healey referred to his assertion that the

best guide to politics in the Labour Party was Mario Puzo's *Godfather*.

He said: "If he really believes in that let him stick to making horse's heads for the Mafia."

The Labour Party, he maintained, did not require any lectures from the representative of the Brent constituency on how to win a general election.

Mr Healey also firmly rebutted a claim by Mr Arthur Scargill, the president of the National Union of Mineworkers, that a non-nuclear policy would enable the next Labour Government to divert the money allo-

cated to the Trident nuclear submarine programme to the building of hospitals, houses and other social projects.

It was a waste of time to talk in such terms, he said, because by the time the next Labour Government took office all the Trident money would have been spent through Labour's failure to prevent Mrs Thatcher winning the last general election.

Mr Healey called for recognition of the need for Labour to keep in line with its "natural allies" in other socialist countries on defence policy while continuing to work for developments

enabling Nato to adopt a non-nuclear strategy.

Mrs Joan Ruddock, MP for Deptford and the former chairman of the Campaign for Nuclear Disarmament, forcefully made clear her continuing faith in Mr Kinnock's commitment to a non-nuclear defence policy.

In him, she stressed, they had a leader who had made it clear he would not be prepared to order the use of nuclear weapons.

To cheers, Mrs Ruddock emphasised: "We are really proud of that."

She maintained that it was already apparent that the review of policy would take account of the principle that the possession of nuclear weapons and threats to use them were "unacceptable to the fundamental concepts of freedom, justice and democracy for which this party stands."

But she accepted that there was nothing wrong in using Trident politically and demanding that the Soviet Union match our unilateral action.

Mrs Ruddock told delegates: "This is a time for courage and for a rational review and not a time for an unprincipled leap back into history."

Mr Eric Hammond, the leader of the EETPU, electricians union, was subjected to what seems to have become ritual

abuse when he went to the rostrum to advocate that the implementation of a non-nuclear policy should be made subject to a referendum held in the first year of office of the next Labour Government.

Mr Hammond stated that on the basis that a future Labour government would be pledged to hold a referendum on the issue, support for the party had increased from 31 per cent

roughly the level achieved in the June general election - to 38 per cent.

The national executive opposed the proposal and a resolution embodying it was defeated.

When news of this leaked back to the lobby, still sitting obediently in their seats, the first public grumbles of dissent were heard. Many of the brothers had read the conference report arguing that women - like Moslems in the Soviet Union - will be a major

element in the electorate by the turn of the century.

While nationally pacifist (yet another previous concession), there is a mounting mood of protest that there comes a point where you must stand and fight this kind of terrorism. Clearly this was not shared, alas, by Mr. Harewood, who had the misfortune of asking the motion for a "speakers' list."

After the explosion had died down, it was clear that nothing had fallen apart. Mr. Harewood had full support for his motion, and the sisters withdrew triumphant once again.

To calm the mob, Mr. Tam Dalyell went on to bring out to members a few of the remaining unread extracts from *Spycatcher*. It was a smart move.

With the *Belgrader* issue now well and truly sunk, Mr. Peter Wright's book has stepped up in the nick of time for the MP. His particular obsession appeared to be an episode in which Mr. Edward Heath is alleged to have "glowered, turned on his heel and walked out."

Mr. Dalyell wants a full inquiry into this. Which he did find in the *Minister* turn of, for example?

But the only real joy of the afternoon came from that old macho Denis Healey. With eyebrows bristling like missile launchers, he attacked both the Prime Minister and Mr. Ken Livingstone for creating a situation where the UK's nuclear policy now led to a "recipe for disaster" in the form of a dependency on the US.

Mr. Clive Soley, the party's housing spokesman in the Commons, condemned the Government's recent housing white paper on the grounds that it did nothing to deal with the housing crisis.

He stressed the problems of house price inflation in the south-east, where there are 100,000 homeless families, especially those in bed and breakfast accommodation, and the failure of the Government to face up to the challenge of 4m homes in disrepair.

Mr. Soley contended that the Government was bringing back the era of "Rachman and Cathy Come Home".

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Monstrous regiment belabours brothers

DEFENCE DAY at the Labour conference and throughout it was dominated by the issue that undoubtedly cost the party the last election - women.

Earlier in the week, this small but ear-splitting minority had trumped their often unpopular views on their weaker, more sensitive and self-effacing male colleagues.

Indeed, Tory ones - have been pushed around by women for some years now. The only difference between the parties is that Labour allows the implementation of a non-nuclear policy should be made subject to a referendum held in the first year of office of the next Labour Government.

Mr Hammond stated that on the basis that a future Labour government would be pledged to hold a referendum on the issue, support for the party had increased from 31 per cent

roughly the level achieved in the June general election - to 38 per cent.

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Gould stakes claim for socialist respectability

MR BRYAN GOULD's advocacy of wider share ownership has in the last week become a symbol of the battle for the updating of Labour's policies.

To the left, the mere mention of the term is anathema. There were a number of criticisms of his ideas and talk of the affluent worker during yesterday's debate on the economy.

The same point is taken up in the various hard-left conference newsletters. One, Campaign Briefing, attacks "therapist's economic illiteracy and lack of understanding of public accountability and public ownership were inseparable."

Similarly, Socialist Organiser accuses Mr Gould of "pandering to the middle class" and looking for a "solution in 'designer politics'."

Even some in the mainstream left think that Mr Gould's comments a week ago, on the eve of the party's annual conference, were a bit out of touch. Since then, Mr Gould has to some extent been on the defensive, justifying and explaining.

Last night at a fringe meeting he sought to clarify the position, defining more specifically what he was seeking. He noted that some of the ideas he had used were part of the Labour movement's heritage and if he had talked about workers' control and industrial democracy there might have been a different response from parts of the conference and less interest from the daily press.

He pointed out that Labour's 1971 green paper on capital sharing had suggested a system of transferring shares to the workers and similar plans had appeared both in 1982 and in last year's social ownership statement.

He went on to explain that he was advocating a form of popular socialism, ensuring that shares were issued as rights issues to enhance the wealth and control of the workers in the companies for which they were issued.

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Meacher urges change in balance of industrial power

GIVING MORE power to workers to influence company decisions will be a top priority for the next Labour Government, Mr Michael Meacher, the shadow Employment Secretary, told the conference.

Summing up a debate on the economy, he called for a change in the balance of industrial power to ensure that companies invested in job creation rather than takeover battles. "That means a

great deal more than simply wider employee share ownership - our aim is nothing less than the redistribution of power."

"That is why industrial democracy - the extension of col-

lective bargaining to all strategic decision-making which is now the prerogative of management - must be one of the top priorities for the next Labour Government."

For example, he suggested

that ballots of workers as well as shareholders should decide on whether a merger or takeover should go ahead.

He also suggested that a return of Wednesday's session on social ownership



Audrey Wise: 'short-term profit' claim

Forestry tax incentives opposed

THERE SHOULD be no tax incentives for private investment in forestry, the conference decided yesterday.

Delegates passed overwhelmingly a wide-ranging motion on the environment including a call to bring forestry under planning control, remove tax incentives to private investors and to make the publicly-owned Forestry Commission more socially responsible. Any forestry subsidies should be confined to deciduous woodland.

No reference was made to forestry tax incentives during the short debate, but Mrs Audrey Wise, MP for Preston, summing up for the national executive committee, hinted that there had been disagreement within the NEC over whether to support the motion.

In the end, the NEC recommended acceptance in spite of some flaws - in some things he read out a statement from the party's national executive on Mr Wright's book, *Spycatcher*, book to the conference.

Mrs Watson stood up demanding the right to speak, but had to wait 20 minutes for her chance, which came during a debate on defence.

She claimed that Mrs Watson was a delegate to the conference from South West Surrey Labour Party.

Her outburst came after Tam Dalyell, MP for Linlithgow, had read out a statement from the party's national executive on Mr Wright's book, *Spycatcher*, book to the conference.

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Protest by women over reselection

FINANCIAL TIMES SURVEY



Small as they are, the six French-speaking cantons which make up Romandie span a wide scenic variety and are

home to nearly a quarter of the 6.5 million Swiss population. Although not the richest region in Switzerland, it is a favourite retreat for the wealthy says William Dufforce

Diversity of azure triangle

ROMANDIE, or Suisse Romande, provides the Latin leaning in the predominantly Germanic culture of Switzerland. The vine-clad northern shores of its lakes mark the point at which North Europe obtains its first breath of the Mediterranean and many of its people manage to blend happily the hard-working values of their fellow Swiss citizens with some of the savoir-vivre of their French neighbours.

Six cantons - Jura, Neuchâtel, Fribourg, Vaud, Geneva and the Valais - grouped in a ragged half-moon, form the western part of the Confederation. They are home for nearly a quarter of the 6.5m Swiss population, including most of the 18.4 per cent whose mother tongue is French. A car driver can cross Romandie from north to south in less than four hours: the east-west traverse along the autoroute takes about 1 1/2 hours. Small as it may be, its geographical variety, from the wooded hills of the Jura through the pastures and vineyards of the plain to the Alps of the Valais, made it Europe's first tourist area, the birthplace of the hotel industry and from the 18th century onwards a favourite retreat for the rich, the creative and the politically exiled.

Edward Gibbon, the British historian, spent several years from 1783 in Lausanne, completing his monumental *Decline and Fall of the Roman Empire*. Today writers, film stars, successful sportsmen, as well as commodity traders and financiers, encouraged by the canton of Vaud's friendly approach to taxation, find havens along the Swiss bank of Lake Lemman. Not the wealthiest region of Switzerland, Romandie, nevertheless, possesses in Geneva an international financial centre whose growth rate in the past 15 years has severely strained its capacities. Geneva is a meeting place for the world's rich and powerful, where the luxury goods on display sometimes ruffle the lingering Calvinistic sensibilities of its own citizens. The rue du Rhône alone numbers 72 jewellers, according to a recent count.

Geneva, however, is the only French-speaking canton with a national income per capita (SF39,532 or \$38,750 last year), higher than the Swiss national average, which itself is the highest in Europe. Jura's income per capita is barely 60 per cent of Geneva's. By this measure Jura and the Valais are the second and third poorest of the Confederation's 26 cantons or half-cantons. By the norms of southern Europe or even of northern Eu-

gland their populations still enjoy a high standard of living. Japanese competition to the largely artisanal watchmaking of Jura and Neuchâtel recently threatened large-scale unemployment there. The danger has been averted partly through an expansion of service jobs but the cantons' bid to transfer workers' skill in precision engineering to electronic and other computerised high-tech production has yet to pay off in full.

Throughout Romandie, even in Geneva, cantonal governments and local business associations are working hard to exploit the possibilities of new technologies and to retain an industrial base. Substantial tax incentives to supplement the high educational qualifications of the local population and to counter the drawbacks for exporters of the strong Swiss franc are being offered to foreign investors.

Cantons do not conceal their efforts. Competition for investment within Suisse Romande and with other Swiss regions is keen. This can be read as showing the cantons' respect for the free market or as illustrating special characteristics, such as the individualism and deep concern for local sovereignty, mirrored in their history. Apart from Fribourg, which joined in 1481, the French-speaking cantons were latecomers to the Confederation which will celebrate its 700th anniversary in 1991. The Vaud gained its freedom within the Confederation in 1803 while Geneva, Neuchâtel and the Valais be-



Suisse Romande

Morat in Fribourg canton is a mediaeval town famous for its moat

counter the drawbacks for exporters of the strong Swiss franc are being offered to foreign investors.

Cantons do not conceal their efforts. Competition for investment within Suisse Romande and with other Swiss regions is keen. This can be read as showing the cantons' respect for the free market or as illustrating special characteristics, such as the individualism and deep concern for local sovereignty, mirrored in their history.

Apart from Fribourg, which joined in 1481, the French-speaking cantons were latecomers to the Confederation which will celebrate its 700th anniversary in 1991. The Vaud gained its freedom within the Confederation in 1803 while Geneva, Neuchâtel and the Valais be-

came cantons in 1815 as a result of the peace settlement at the Vienna Congress after the Napoleonic wars. Rebel Jura won independence from Bern canton as recently as 1979.

Swiss French are orientated culturally to Paris and politically to Bern, the federal capital. The pull of the common language puts them squarely in the cultural sphere of France. After reading their local newspapers or watching Suisse Romande television, they will turn to French newspapers and television channels rather than to Swiss German. Not many Swiss French speak German.

Politically, it is a different matter. The strong Protestant tradition in Geneva, Neuchâtel and Vaud, is a reminder that Swiss French history dates back

to the founding of the Calvinistic church in the 16th century and to the subsequent Huguenot exodus from France after the revocation of the Edict of Nantes in 1685.

Opposition to France was expressed both in religion, which inculcated the bourgeois Protestant virtues of industry and thrift, and in political organisation. Swiss French political life focuses on the canton and commune, not least in the right to vote their own taxes. Direct democracy prevails.

French-speaking Swiss are first of all citizens of their cantons - of Vaud or the Valais - and in this are thoroughly Swiss. It is impossible to imagine them conforming to the uniform, statist political system of France.

Typically, the azure triangle is home for Swiss multinational service concerns such as the Société Générale de Surveillance (SGS), the inspection and quality control group, Inspectorate, its smaller rival, and Adia, the world's third largest temporary employment group.

Mr Cuendet suggests that the azure triangle has more successfully negotiated the passage to a post-industrial society, a contention that would seem to be supported by the fact that in spite of the recession at the turn of the decade the azure population has recently grown considerably faster - 6.4 per cent against 1.7 per cent for the golden triangle between 1970 and 1983.

Like Swiss business generally, entrepreneurs in Romandie are much concerned with the slow evolution of the European Community, to which they do not belong, towards a single market. Officials promoting regional development, particularly in Jura, Neuchâtel and Geneva, refer frequently to the prospects for regional co-operation across the French border. Conversely, French companies are showing heightened interest in the Geneva stock exchange.

In one respect French-speaking Romandie represents Switzerland abroad more visibly than the German-speaking majority. Neutral Switzerland's international role as mediator and diplomatic forum centres on Geneva, where summits and disarmament negotiations are held and from which several UN organisations and GATT (General Agreement on Tariffs and Trade), the body governing world trade, operate. Its humanitarian activities are embodied in the Geneva-based International Committee of the Red Cross, staffed exclusively by Swiss.

More marked, however, is the permanent foreign element in the city, now estimated to amount to roughly one third of the population and sometimes blamed by native Genevese for air pollution, traffic congestion and expensive housing. Geneva's 'international sector' comprises no fewer than 250 organisations in which some 22,000 people work. The largest single employer is CERN, the European advanced physics laboratory. Altogether the 'sector' spent SF1.5bn (US\$1bn) in Switzerland during 1985.

It is a gross error, however, to equate Romandie with Geneva, Continued on page 2

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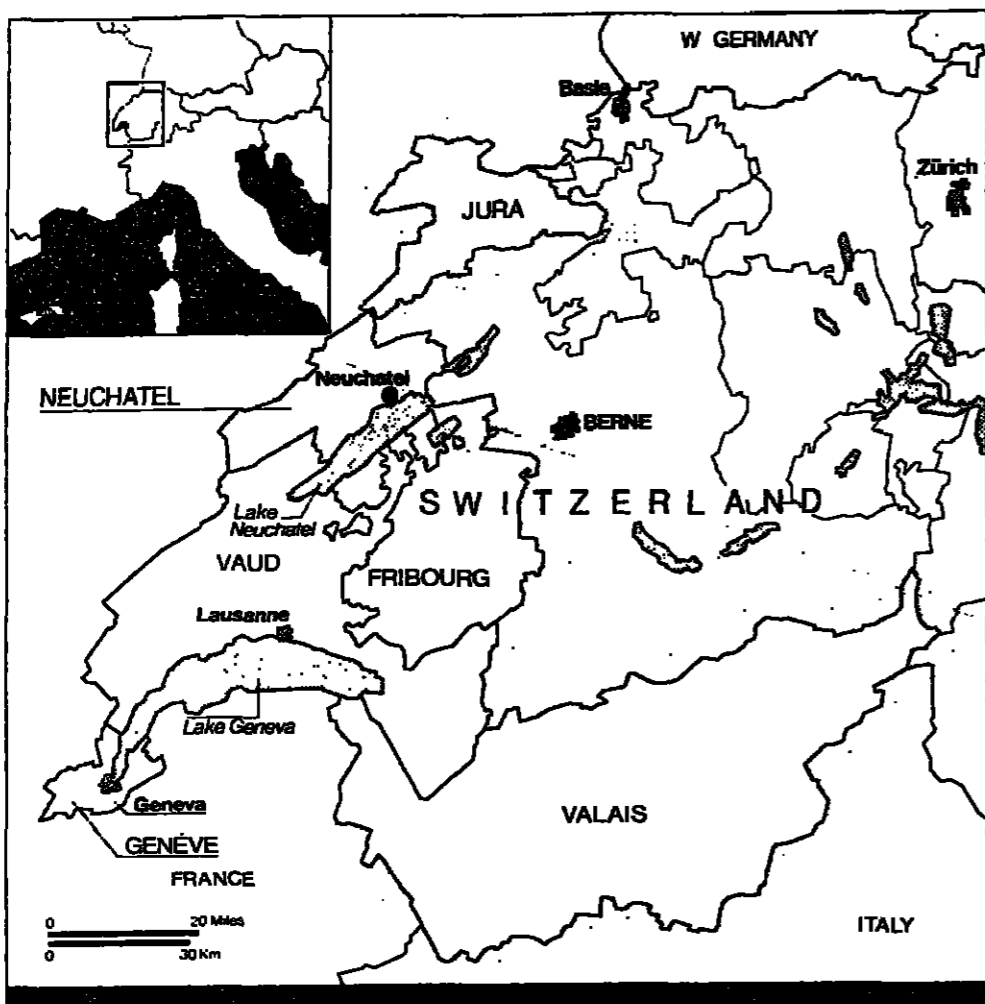
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SUISSE ROMANDE 2.



Diversity of six cantons

continued from previous page

by far the smallest of the six cantons. Apart from the common language, the region's most salient characteristic is its diversity. Protestantism, for instance, is not omnipresent. Geneva now contains more Catholics than Protestants and regionally the Protestant cantons are balanced by the Catholic Fribourg and Valais.

Fribourg was a stronghold of the Counter-Reformation, the 'Swiss Rome' strongly influenced by the Jesuits. Its economic development from mainly agricultural to industrial production and services was slow. The Valais, also profoundly conservative, has in recent years been the home of a semi-

nary from which Monseigneur Marcel Lefebvre has waged a campaign against liberalisation in the Vatican.

Vaud, the most populous canton, has almost everything. The bulk of its people live in Lausanne and the string of small towns along the northern littoral of Lake Lemman which comprise one of the world's pleasantest and most coveted human habitats. Industry has been carefully sited in the peripheries of the towns. Vaud also stretches across the central plain, where it produces almost 10 per cent of Swiss agricultural output, to embrace the Alps and the folds of the Jura hills. Understandably, the Vaudois are renowned for their insularity, more specifically for a profound attachment to a home to which significantly they refer more often as the pays de Vaud than the canton.

To most outsiders Romandie as a whole must appear to be a

deeply entrenched society, historically, politically and even economically. Yet, in the last few years it has been in ferment, stirred by the urgent need to adapt industry to foreign competition and technological advances and to exploit the burgeoning opportunities in banking and financial services.

Its chances of making a successful passage must be good, if only because its human and financial resources are so great. It has wealth of its own, it attracts wealth and each canton has its apprenticeships, technical training institutes and (with one exception) university.

Add the intellectual sharpness acquired from a French cultural tradition, and few regions can be so well endowed to cope with current challenges. As the Swiss French themselves sometimes admit, only their tendency to self-complacency might defeat them.

IN GENEVA, Romandie possesses a financial centre whose speciality, the management of wealth, acts as a honeypot for not a few foreign banks. Many other financial operations are conducted in the city - currency trading is important - but Geneva's reputation is based on managing assets for rich private clients and, increasingly, for institutions.

As Mr Robert Smith, chairman of American Express Bank, has said, Geneva provides 'a very profitable atmosphere for private banking'. AEB bought Mr Edmond Saffra's Trade Development Bank in Geneva for \$500m in 1983 and has since made a good business out of focusing it on portfolio management and other financial services.

In sheer weight Geneva plays second fiddle to Zurich on the Swiss financial market but, judged by the number of banks moving shop to the city, its growth over the last decade has been somewhat faster than Zurich's. Just over 50 banks, of which roughly half are foreign-owned, are established at the western end of Lake Lemman.

They are supplemented by finance companies without bank status, most of which operate as fiduciaries advising and managing clients' wealth. There are about 150 of them.

Federal statistics of the number of people working in banking, insurance, related consultancies and personnel services in the canton of Geneva climbed from just under 30,000 in 1975 to 38,000 in 1985. Those employed by the banks and finance companies increased from 11,700 to 16,250.

Almost 40 per cent of them work in the Geneva branches of Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse - a reminder of the dominance exercised by the Big Three banks whose headquarters are in Zurich and Basel.

Within Romandie, Geneva is a financial heavyweight among welterweights and flyweights. Its banking sector employs 1.2 times as many people as the combined banking sectors of the five other cantons. This does not stop the others from trying for a share of the international monies flowing into the country.

Lausanne has its own modest stock exchange where the volume of transactions is about one-tenth that of Geneva's but which is starting to show greater liveliness. Turnover increased by 6 per cent in the first eight months to Sfr 15.5bn.

A handful of foreign banks and the holding companies of several multinational concerns have staked roots in Lausanne, which is also headquarters for

two medium-sized Swiss insurance companies. In fact the canton of Vaud can boast of being the fourth largest Swiss financial centre after Zurich, Geneva and Ticino.

Holland's Elsevier publishing group runs its international financial business from Neuchâtel and Elders IXL has just set up an investment management operation there.

Each canton has its own cantonal bank, savings and regional banks, which draw on local patriotism in competing with the big national banks in mortgage lending and commercial credits. They cooperate with the big banks to obtain a share of the domestic bond market.

Unlike their German-speaking compatriots, however, the citizens of the six cantons are not big savers, a symptom perhaps of the Latin temperament. In the canton of Vaud, the richest of the six after Geneva, savings per head are about three-quarters of the national average. The relative lack of thrift is a handicap for the local banks.

As in a good Swiss watch many parts combine to make Geneva tick as a financial centre. They include its status as an international meeting place, its central location in Europe, its airport, the high ratings and efficiency of its hotels, the presence of some of the world's top jewellers, modistes and auction houses and the nearby presence of international private schools. High net worth customers - to use the jargon - like to visit Geneva. It shares Switzerland's repu-

THE SIX CANTONS

	Area (sq. km.)	Population (thousands)	National Income (Sfr bn)	National Income per capita (Sfr)
Geneva	282	368	14.4	39582
Vaud	3219	555	17.1	31130
Neuchâtel	797	157	4.2	27160
Fribourg	1670	195	5.2	26796
Valais	5226	238	5.4	24405
Jura	837	85	1.6	24253
Switzerland	41293	6573	205.4	31441

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The six cantons vie for a cut of the banking and financial cake

Geneva acts as a honeypot



Geneva's new stock exchange

Saffra is expected back with his Republic National of New York bank. Computer system and software suppliers say banks are continuing to invest in equipment.

Keeping at the leading edge technologically remains important. The Geneva stock exchange moved into new premises last year and installed computerised trading systems. It is now close to starting a 'second market' in the belief that it is called for by the growth in the number of small and medium-sized high-tech companies in Romandie and in the greater region embracing French Savoy, northern Italy and southern Germany.

A little publicised fact is the importance of Romandie for international commodity trading. Five of the world's six biggest traders in soft commodities, such as cereals, operate from Geneva and Lausanne. Many big deals for the sale of wheat to the Soviet Union, the Middle and Far East have been negotiated there. Several traders, mostly like the private banks still family-owned, have recently expanded their financial units or set up new ones to exploit the financial futures and options markets.

The International Futures and Commodities Institute, established at Carouge just outside Geneva in 1984, trains professionals from all over the world and carries out research into finance and commodities. It has developed a computerised training programme for Sofrex, the Swiss Options and Financial Futures Exchange, which the Zurich, Geneva and Basle stock exchanges will start next year.

Sofrex is one of several signals that the Swiss - a little belatedly in the view of some foreign bankers - are set on maintaining Switzerland's place as a vital centre for international finance and are investing in providing locally the instruments and services, for which practitioners on the emerging global market are looking.

to use new financial instruments to expand the market.

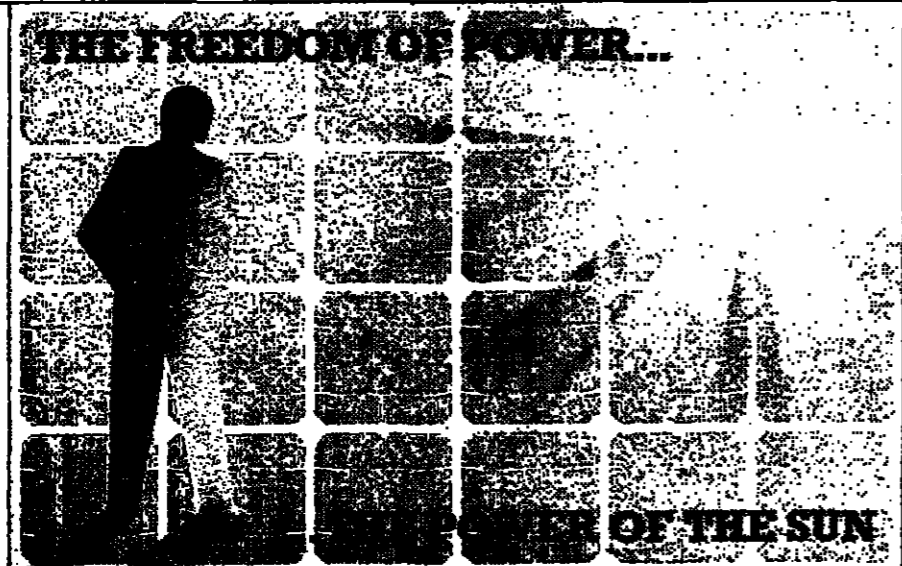
One mystery remains. Swiss bankers have complained for years about the federal stamp duty, which also applies to foreign-to-foreign transactions and which, they claim, puts the country at a competitive disadvantage. Yet, the business continues to grow although funds are largely channelled to Luxembourg and off-shore centres. The answer seems to be that the Swiss label matters. A private account in Switzerland still has prestige and carries guarantees for the private investor. Institutions seeking to spread their investments appreciate the country's economic soundness, low inflation and strong currency and, as long as their results continue to beat the averages, they will place funds with banks in Geneva.

There is no sign that the expansion is stopping. Foreign bankers are still moving in. Mr

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SUISSE ROMANDE 3

Industry ranges from hydro-electric plants to watchmaking

Ups and down reflect free market

ROMANDIE's six cantons are making two wagers over industry - that they can stem their seemingly inexorable drift into purely service societies and that they can hitch firmly enough on to new technologies to turn themselves into small silicon valleys.

Amazingly for a small region containing only some 1.5m people, each canton so far fights on its own. They compete with each other in offering tax advantages, which can amount to total exemption from taxes on profits or capital for several years. Cheap industrial land and training facilities are also deployed competitively.

The cantons have a lot going for them - well-educated populations, extremely attractive living conditions for investors, a central location in Europe and, above all, a genuinely entrepreneurial climate. Labour costs are roughly 10 per cent lower than in the admittedly very expensive Swiss German industrial centres.

Success is far from sure, however. In the 15 years or so since the cantons started to resist de-industrialisation, progress has tended to resemble a switch-back, albeit in most cases one which mounts towards the goal. Because a free market prevails, a US company's decision to close down a factory with 250 employees is accepted, although the lost jobs may represent a sizeable chunk of a small canton's workforce.

Romandie is home to Switzerland's biggest enterprise, Nestlé, at Vevey in the canton of Vaud. By far the most of the food group's operations are outside Switzerland, however.

Heavy industry in the six cantons has been mainly imported usually in the form of investment by Swiss-German companies seeking access to hydro-electric power.

Vaud, the canton embracing the upper valley of the Rhone, is in this respect distinct from the other five in that large-scale industry employs about half its industrial workforce. It produces 10bn kwh of electricity, almost 30 per cent of Switzerland's hydro-electric power. Some 64 per cent is exported.

As far back as the turn of the century Vaud attracted investment by big Swiss chemical companies such as Ciba-Geigy and Lonza and by Alsuisse, the

ROMANDIE'S INDUSTRIAL DEVELOPMENT					
		Industry		Electrical electronic and optical	
		Number employed	Work sites	Number employed	Work sites
Fribourg	1975	17836	41	1857	27
	1985	19307	59	2800	18
Vaud	1975	51425	277	6880	150
	1985	48258	209	7152	108
Valais	1975	19082	35	1177	28
	1985	19456	43	1179	23
Neuchâtel	1975	31341	139	2949	577
	1985	25317	135	4174	325
Geneva	1975	31768	161	4903	259
	1985	27380	156	4391	224
Jura	1975	12928	23	287	318
	1985	10730	25	663	174

aluminium group. Alsuisse, though, is now pulling out and the Valais has joined the other cantons with its own programme for industrial development designed to encourage small and medium-sized units.

Few big manufacturing concerns have been generated locally in Romandie. The biggest native son is Robert at Prilly, just outside Lausanne, the capital of Vaud. The world's leading producer of machinery for converting paper and cardboard into printed packages, Robert has a turnover approaching Sfr800m (\$540m).

Vaud, the most populous of the cantons, also has the most diversified industry and the largest industrial workforce. A big agricultural producer, it contains several food-processing concerns, metallurgical plants and the region's biggest domestic pharmaceutical company in Zymo.

In industry, as in linguistic matters, the Swiss French sometimes argue that they are discriminated against within the Confederation. Federal arms procurement deals, such as sub-contracting orders for West German Leopard tanks, go disproportionately to German-speaking parts, they claim.

Much satisfaction was therefore felt when Oerlikon-Buchli, the country's biggest arms manufacturer, recently set up at Gland in Vaud a plant for developing and building guidance systems for the advanced

air defence equipment it has sold to Canada. This was seen as acknowledging Swiss French high-tech abilities. Romandie's most typical industry for centuries has been watchmaking, established principally along the range of the Jura hills from Geneva through Neuchâtel and the present canton of Jura.

Though a few substantially sized companies had emerged, its organisation remained basically artisanal until the 1970s, its reputation for excellence being reflected in the image of the single skilled watchmaker with a lens in one eye.

The trauma for Romandie's industry began from 1975 when the Jura hills felt the impact of the Japanese application of industrial production methods to watchmaking and their exploitation of quartz timekeeping, discovered but not developed by the Swiss.

It has been estimated, counting ancillary occupations, that Neuchâtel lost 17,000 jobs while close to half the workforce in the canton of Jura became redundant.

The situation was aggravated by the recession in the late 1970s which also hurt the region's machinery and precision-engineering enterprises. Desperate factories can still be seen in the small towns in the Jura arc.

Swiss watchmaking has made a remarkable recovery in the

last four years. But this has been based on the application of semiconductor technology and the introduction of mass production techniques to the watch, the popular plastic watch. The centre of the recovery has been Bienne, a bilingual town outside Romandie proper.

Watchmaking in Romandie has by no means been decimated. Geneva's luxury watchmakers continue to dominate their world market. Bienne has gone on making expensive, chunky 'wrist chronometers' with profit, doubling its working space with a new building in 1981.

One company has successfully made a virtue out of anomaly. Blancpain, which made its first watch in 1735, has turned its back on modern production methods. It has anchored itself to the tradition under which one craftsman can spend up to 10,000 hours making a watch, sews its watch straps by hand and proudly proclaims that it will never use a quartz. It sells every watch it builds.

For the cantons of Neuchâtel and Jura, however, the trick has been to diversify and create new jobs. They have mounted what amounts to collective actions by private business and public authorities, the thrust of which has been to develop their potential in micro-mechanics and micro-electronics.

Neuchâtel's progress has been particularly impressive. It claims to have attracted some

150 new enterprises to the canton, of which 40 are industrial, and to have created 3,000 new jobs in the last few years.

In Microelectronic-Marlin it now has Switzerland's biggest manufacturer of integrated circuits. Borg Warner is making guidance systems for missiles in the canton, which also is home to DectroSwiss, a joint venture by some of the Swiss multinationals in computer aided design.

Lemmerz, Europe's biggest car wheel manufacturer has set up a tool and die-making operation. ALP, a company producing electronic dictionaries, has found a home in Neuchâtel.

A special advantage for the canton is that it houses both the Swiss Centre of Electronics and Microtechnology and the allied Swiss Foundation for Microtechnology Research, created in 1978 by an agreement between industry and the federal government.

Mr Karl Dobler, Neuchâtel's very energetic industry representative, is not afraid of grandiose comparisons. Just as Germany and Japan had to build up their economies after the war, he says, Neuchâtel is now 'building the economy of tomorrow' under the impact of the structural collapse of its watchmaking and machine industries.

However, in overall industrial employment it was Fribourg that made the biggest gain between 1975 and 1985.

Industrial exports, it is claimed, now account for almost a third of the canton's gross national income.

Finally, too, there seem to be some moves towards concerted cantonal efforts.

William Dullforce

Agriculture and wine

Efficiency brings surplus problems

TRAVELLERS IN Romandie, especially in Vaud and Valais, the two biggest cantons, will be struck by the extent and apparent prosperity of its farms and vineyards. The spectacle, the shaping by human hand of rolling plain, hill and slope below the backdrop of the Alps, is extremely attractive. It also hides a host of paradoxes.

Throughout the region - except latterly in Geneva (one paradox) - the number of people working the land has been in constant decline. Yields have not. Suisse Romande, like Switzerland as a whole, produces surpluses of cereals, meat, dairy products and wine as busily almost as the European Community.

In agriculture as in everything else the Swiss are efficient and well-organised. Their vineyards produce some 77 hectolitres of wine per hectare compared with the 50-55 hectolitres of more reputed wine producers such as France and Italy.

In the plain of the Vaud, where individual farms are larger, cereal yields are among the highest in Europe. The farmers around Gruyère in the canton of Fribourg are extremely busy, not only in the production and marketing of their cheeses.

So complicated and varied are the federal financial supports that nobody is quite sure how much these efficient farmers cost the Swiss taxpayers. The usual estimate is between

AGRICULTURE IN ROMANDIE

		Units	Number employed
Fribourg	1975	6,680	12,128
	1985	5,640	10,811
Vaud	1975	8,430	17,545
	1985	7,443	15,255
Valais	1975	10,289	12,120
	1985	9,645	11,633
Neuchâtel	1975	1,639	3,412
	1985	1,616	3,408
Geneva	1975	811	2,633
	1985	748	2,505
Jura	1975	1,942	3,451
	1985	1,574	3,104

Sfr4bn and Sfr5bn (\$2.6bn and \$3.3bn) a year at the national level. It costs Sfr1,200 per cow to dispose of the milk surplus.

Taxpayer resistance to these disbursements may be growing. A plan to encourage beet farmers to expand domestic sugar production at the expense of imports was voted down in a referendum last year. An argument in favour of the plan was that it would take some land out of milk and meat production.

But a host of arguments, from national self-sufficiency in vital foods to environmental considerations, are added for continuing the federal support and win approval from consumers

and taxpayers. Few Swiss French, for instance, want to do away with direct payments to mountain farmers in the Valais. Their presence near the skiing slopes and summer holiday areas is appreciated.

In 1986 Romandie produced 113m litres of the 135m-litre total Swiss wine harvest with the Valais alone contributing some 70m. For wine the problems are different because federal support is much less, restricted chiefly to helping to finance the surplus stocks and their disposal.

Orsat, the country's second biggest wine wholesaler, had to be rescued from bankruptcy last year, broken by the unsaleable stocks it had accumulated.

Less than 1 per cent of Romandie's wine output is exported. Most of the wine has to be drunk young and does not travel and, while the Swiss wine-growers outperform others in quantity, few have found the secret of producing exportable quality. In the Valais no more than 10 per cent of the owners depend wholly on their vineyards for their livelihood.

Under the stimulus of their own associations rules are now being applied to limit output to one kilo of grapes per square metre. Stocks, which at one moment had reached over 100m litres in the Valais alone, have started to decline.

William Dullforce

A region of bookworms

THE SWISS French are avid readers and have been printers for Europe for nearly 600 years. They buy more books than any other European nationality, four times more than the French. Some 43 per cent give reading as their favourite occupation, though this figure may be queried: very few people will admit that their main pastime is watching television. In Romandie an average 25 minutes a day is spent reading the press. The choice is vast. In 1985, 122 newspapers were printed in Switzerland, compared to 114 in 1935. This represents an increase of 124 per cent for a population that has only risen by 53 per cent during the same period.

Part of this development can be explained, yet again, by the diversity of cultures, languages, religions and interests in the country. Many small Romandie valleys have their own newspapers, containing features of

purely local interest. And so a close relationship has grown up between readers and their newspapers. So close that newspapers like the Geneva-based French language 'La Suisse' find it nearly impossible to obtain truly regional circulation.

The region has been linked with printing since the Reformation. One of the earliest English editions of the Bible was printed in Geneva, which is why the English use Roman rather than Gothic script today. The first 'Book and Press Fair' held in Geneva in May 1987, paid tribute to this long and prestigious tradition. The Fair attracted 87,000 visitors, and plans for 100,000 in 1988. Sales at the Fair were far beyond the organisers' expectations. One Geneva publisher covered his costs four times over; particularly impressive for books appealing to a minority audience.

For, although there are around

100 publishers in Romandie, producing an average 2,000 books in French annually, they do not really expect to make a profit in Switzerland. Most turn to overseas markets such as France and West Germany, or have other irons in the fire.

Financially, the press fares rather better, attracting 51 per cent of advertising placed throughout the country. 'La Suisse' derives 70 per cent of its revenue from advertising. In a region of low unemployment, the job offers are the most popular pages.

Printing skills and equipment are as sophisticated as regional tastes. Although wages were high, printers remained competitive by investing in advanced equipment, requiring fewer technicians. Most printers learn their trade as apprentices, and are highly skilled operators when their training is finished. Not only are printing techniques

among the best in the world, but the standards of peripheral activities like typesetting and graphic design are also high. Add to this good distribution networks and it becomes easy to see why the international newspapers are interested in printing their European editions here.

However, all is not as rosy as it seems for Romandie printers. The strong Swiss franc and long waits for deliveries are starting to try the patience of many important clients. Several of the Geneva-based multinational companies are turning to printers in England, Holland and even New York. It seems that prices there are lower, creative talent readily available and deliveries quicker. The Romandie printers may well discover that they are no longer calling the tune and that their historical tradition is threatened.

Lesley Botz

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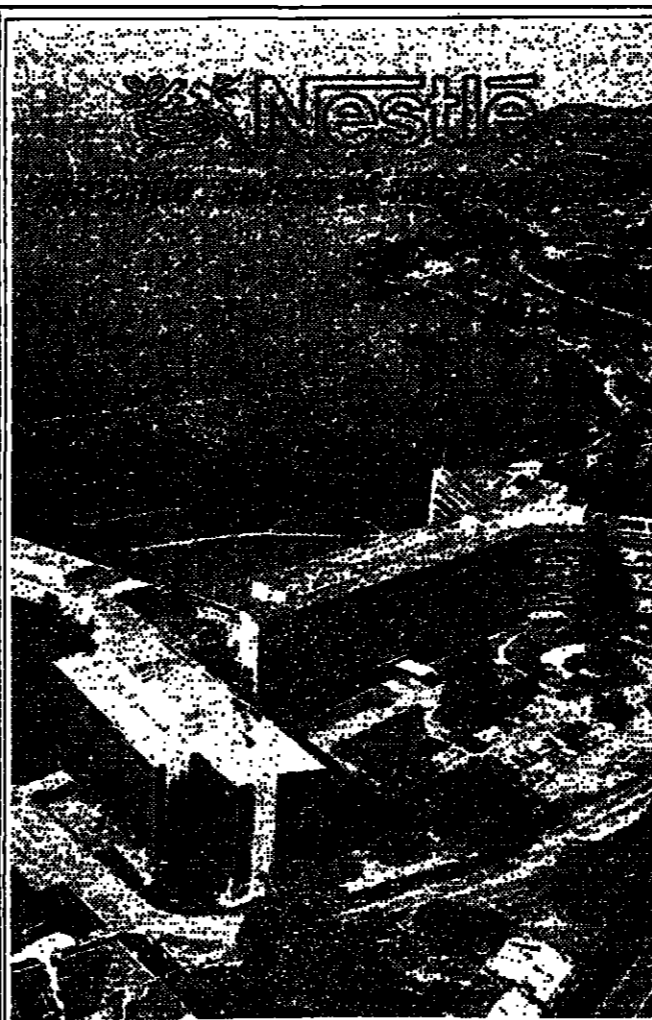
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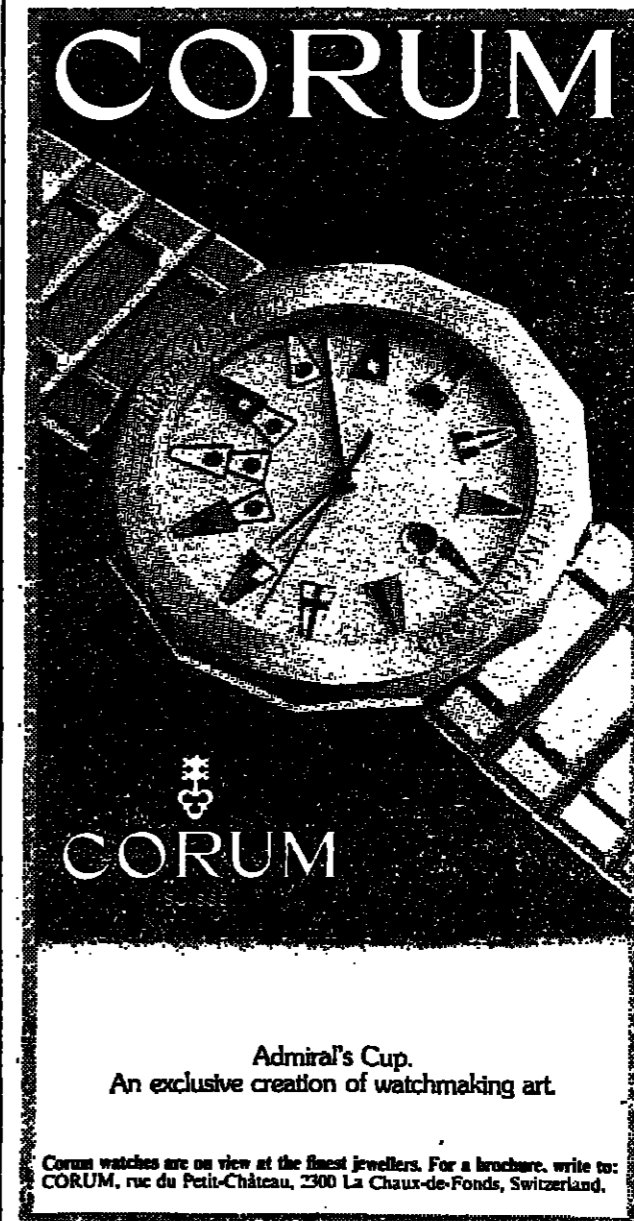


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SUISSE ROMANDE 4

Tourism

Strength of franc holds back growth

IT IS not a secret that Swiss tourism earnings have deteriorated since early 1984. This is due mainly to the continuing strength of the Swiss franc against West European currencies and the decline of the US dollar. By 1986, overnight stays booked by foreigners had decreased significantly while the strong franc encourages the Swiss themselves to visit other European countries or even further afield. It is worth noting that 75 per cent of Swiss taking a holiday go abroad - the highest European figure.

While the quality of tourism in Romandie remains high in both summer and winter the need is growing to find and exploit new types of tourism. The major problem for mountain resorts is how to attract tourists during the off peak months. Villars, in the Vaud Alps, for example, organised this summer a festival of golf, tennis and music with proceeds going to young artists and sports people.

Each of the Romandie cantons is affected by the strength of the Swiss franc in its own way. Geneva and Vaud cater to the business class and have been less affected. They have a bed occupancy 16 times higher than that of the Valais and its ski resorts. Hotel owners here complain of low profit margins, particularly as tourism is so seasonal and staff now have more time off and fewer working hours. Many hotels date back to the turn of the century, and are now in need of expensive renovation.

To cope with this, a unique company, Sodeval was set up in January 1986. It is a private company with 30 per cent shares belonging to the state and 70 per cent to private entities such as the major banks. During 1986, it invested Sfr 36m in renovating 27 establishments, at the request of owners.

Complaints are also voiced about the famous Châlet Parties - particularly in Verbier - which do not have to meet the same standards for staff, cooking, and draining as local hotels. Although the châlet occupies the ski lifts and other equipment, the system represents a

serious rival to the local hotel business.

Most visitors to the Valais are holidaymakers and only Grand-Montana, with its new conference hall, is really able to handle business needs on a large scale.

The Canton of Fribourg also lacks installations to meet the demand for business conventions. A project is presently under consideration for a new hall to hold 2,000 people and 1,000-1,500 for banquets. Two new hotels with a total capacity of 200 beds are opening in 1988, to add to the present 800. As a capital, Fribourg has a tradition of congress organisation, although the activity really got off the ground only some 15 years ago. Fribourg's tourist trade also includes visitors to its many cultural events and medieval specialists visiting the old town.

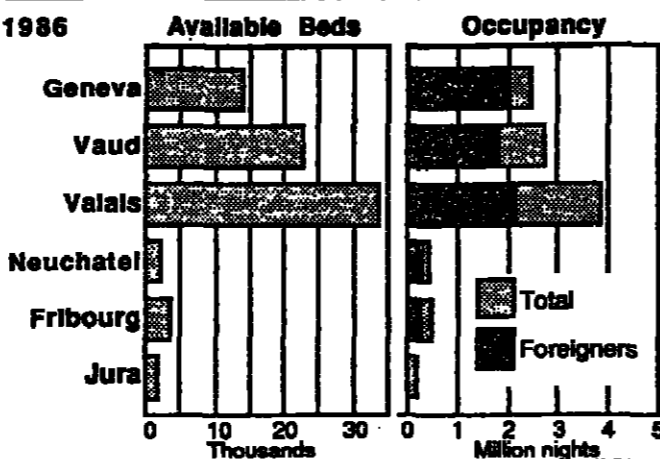
The Jura, famed for its beautiful countryside, has concentrated on promoting inexpensive, active, open air holidays for individuals and families. They come primarily from the German and Italian parts of Switzerland.

The percentage of Swiss practising a sport at least twice a week has risen from 17 per cent in 1978 to 34 per cent in 1984, according to the Swiss Sports Association, because of the growing trend for physical fitness and a simpler lifestyle. The Jura's Tourist Office has devised holidays for bicycling, fishing, riding and walking. This style of holiday could well be in for a minor boom considering that 37 per cent of the Swiss population, aged between 15 to 34, give sports as their favourite pastime, and 23 per cent of the 35 to 54 age group.

The Jura tourist office, which opened in 1982, has benefited from the bad experiences of other regions, like over-construction and too many country cottages. The 65,000 inhabitants of the Jura's 530 sq km are not prepared to let their countryside disappear under a pile of cement.

Medical tourism is of special importance for Romandie. Some Sfr 65m were spent by foreigners on medical expenses in Switzerland during 1986, but

Hotel accommodation in Romandie



some of the famed private clinics in Vaud are now in financial difficulties. Medical tourism began when August Tissot, one of the first doctors to refuse tips from grateful patients, set up his Lausanne practice in the mid and late 18th century. His fame spread throughout Europe and soon patients flocked to Lausanne.

In the early 19th century, local spas attracted foreigners to the region - the therapeutic virtues of the Champel waters in what is, today, Geneva's smart residential area, were particularly appreciated by Andre Gide and Joseph Conrad.

Lausanne estimates that one third of its tourists originate from medical and teaching fields, one third from business groups and one third are holidaymakers. After the 1986 decline, the Tourist Office reports a satisfactory increase of nearly 5 per cent overnight stays at the end of July, compared to the same period in 1986. Lausanne has 5,000 beds and is able to cater for congresses of 500 to 8,000 participants.

The Vaud capital has a confirmed reputation for quality tourism. Its famous hotel management school, founded in 1893 by hotel director Jacques Tschumi, was the first of its kind in the world, and now it picks and chooses its 475 students from 35 countries.

Lausanne's hotel tradition strongly supports its candidacy for the 1994 Olympic Winter Games. It has ease of access, ample accommodation, an Olympic village, facilities for the mass media, as well as sports facilities. Sentimental reasons are also evoked - after all the International Olympic Committee has been based here since 1915.

Travelling to and from Romandie was simplified in May this year, when the new railway link between Geneva and its airport was inaugurated. Travelers can now check in their

CULTURAL life in Romandie is booming. Local folklore events are a centuries-old tradition. The region has long been able to attract top international performers to its opera house, concert halls and theatres. Now, far-sighted authorities are beginning to adopt more imaginative policies to cater for the growing interest in less popular art forms.

One of the fruits is Extasis 87, an experimental festival of contemporary music, held last June in Geneva. Aimed at a predominantly young local audience, the concert series nevertheless attracted many non-Genevans, of whom three quarters had travelled to the City especially for it. Curiously, 36 per cent of spectators attended the event alone, for Geneva is often a lonely place for the foreigners and non-Genevans who make up two thirds of the population.

The astonishingly rich cultural activities, enjoyed by a population slightly smaller than that of Birmingham, is the result of generous public and private spending and the natural diversity of the six cantons. In 1987, the City of Geneva provided some Sfr 60m (nearly one fifth of its annual budget) to subsidise the arts.

An additional Sfr 2m was earmarked for the encouragement of new talent outside of the traditional institutions, while the world-renowned Suisse Romande Orchestra received 73 per cent of its 1987 budget from Geneva and a further 3.5 per cent from neighbouring Vaud. Sponsorship is also on the increase: the supermarket Federation of Migros Co-operatives, allocates one per cent of its annual turnover (Sfr 5m in 1986) to cultural and social activities.

In terms of commerce, a growing interest in fine jewellery and liberal tax laws explain why all three major British auction houses are present in Geneva. With the possibility of a 20 per cent sales tax for EC countries from 1992, Geneva's 6.2 per cent tax (which disappears when objects are exported) is a gift. Once again astute Genevans have taken advantage of a profitable situation.

What Solihay's began moving major sales from Zurich to Geneva, their sales figures increased by over 100 per cent; Sfr 25m in 1986, but Sfr 20m for the first two sales of 1987. This, however, included Sfr 75m for the auction of the Duchesse of Windsor's jewellery. Furthermore, the English model of the auction market will be broken when the Swiss firm of Habsburg, Feldman holds its first sales this autumn. The rumour that the inhabitants of Romandie disappear at nightfall is not altogether true. It often depends on the weather. In the summer of 1986, over 50,000 visitors attended 74 free open air concerts in the city parks. Summer is a time to broaden one's horizons, even for those who choose to remain at home. In July and August, the Genevans are treated to a series of concerts and artistic events, representing one country. This year was devoted to an ambitious festival of Indian music,

exhibitions and gastronomy. The Swiss are particularly good at organising festivals. Take for example, the highly successful Montreux Jazz Festival where spectators can enjoy a performance from extremely comfortable seats; even the intermissions are spiced with videos. Another example of Swiss organisation is the outdoor Folk Festival held in Nyon. This high spot of the season for ageing hippies, and other docile folk fans, comes complete with multiple car park facilities and drainage systems, in case of rain. The Swiss think of everything.

But the cultural scope of 1987 must surely be the move of choreographer Maurice Bejart and his ballet to Lausanne. This places the Vaud capital in the forefront of the ballet scene. Bejart chose Lausanne in preference to other European centres because he feels comfortable in this international town.

The Swiss are especially good at organising festivals from top ballet companies to catering for aged hippies

with its traditional appreciation of the dance. It took the authorities a remarkably quick three weeks to offer Bejart a guaranteed Sfr 2.5m per annum with a further million from private donations.

In short, the performing arts are ever popular. The Canton of Neuchâtel, La-Chaux-de-Fondes, a town of less than 45,000 inhabitants, is now celebrating the 150th anniversary of its theatre, built even before the local hospital. The theatre will host a world premiere in spring 1988, performed by no less than the Comedie Francaise.

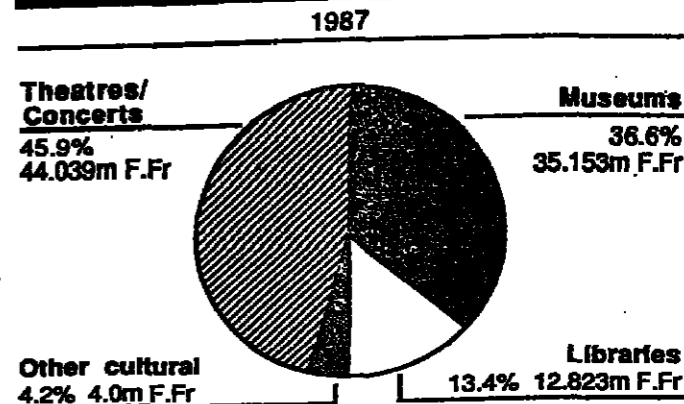
Geneva's most popular 'Theatre de Carrouge' has seen the number of its season ticket holders rise from 278 for the 1980 season to a startling 8,170 in 1987. The system of season tickets is particularly well adapted to Romandie where theatregoers are creatures of habit, enjoying the security of a guaranteed ticket, well in advance.

There is an almost family atmosphere at certain events where, in true democratic Swiss fashion, spectators are asked to vote. A recent example is the Sunday concerts where music lovers chose between concerts at 10.30 am or 5 pm. Ever considerate of its public, the authorities had suggested 10.30 so that Sunday lunch would not be too late. In the event, the afternoon concert carried the vote, probably because they allow patrons to go skiing before the concert. The arts also flourish in the Valais. Nights spent listening to the apres-ski bore, telling of perilous adventures on the slopes, will soon be replaced by an evening's cultural entertainment in many mountain resorts. Since, scene of Europe's second largest cartoon festival, attracted some 32,000 fans this year. Contrary to other cartoon festivals, visitors paid an en-

Culture

Festivals to suit all tastes

City of Geneva cultural budget



trance fee to help provide funds for next year's events.

September 1987 saw the first Michel Corbois Festival in his native town of Fribourg. This festival alternates with the Festival for Sacred Music and receives a 20 per cent subsidy from the Swiss Bank Corporation and 20 per cent from the local authorities. Preceding the Festival for Sacred Music, some 200 composers participate in a competition, judged by an international jury which this year includes Harrison Birtwistle.

Fribourg's rich religious musical inheritance springs from its position as seat of the bishopric for all of Catholic Romandie since 1814. Its university boasts an important, interna-

tional faculty of theology. Fribourg's local authorities are also keen to popularise the contemporary arts to complement their collection of medieval art treasures. One such event is the International Triennial Exhibition of Photography, which receives a grant of Sfr 200,000. With only 40,000 inhabitants, Fribourg has managed to produce and enjoy a menu of summer festivals rich in theatre, dance, classical contemporary music, singing, jazz, rock, and children's theatre.

Although culture in Romandie is often influenced by neighbouring France, it is clear that it also has an identity of its own.

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APPOINTMENTS

Senior posts at Evered Holdings

EVERED HOLDINGS has made the following appointments. Mr Barry Croucher, associate director - accounting; Mr John Barlow, associate director - taxation; Mr Will Spence, associate director - treasury. In the construction/quarry products division Mr Keith Harris becomes divisional finance executive; Mr David Alderson, managing director, Eskott Quarries; Mr Jim Tepper, president, Rockville Crushed Stone Inc., US. Mr Vince Crean has been appointed chief executive of the house-building division. Mr David Ewe becomes chief executive of the property division. Mr Mel Lloyd has been appointed industrial division financial executive. Mr Mel Harland has been made divisional chief executive - consumer products; and Mr Paul Roberts, divisional chief executive, metal forming.

Mr Thomas Mural has been appointed branch general manager for MIDLAND MONTAGU SECURITIES, Tokyo. Midland Bank Group's securities arm in Japan. He was managing director for international equity business at Century Securities.

At SKP & DORMER TOOLS (SHEFFIELD) Mr Pat Gildes will retire on December 31, when Mr A.D. Williams will have taken over as director of sales.

Mr E.J. Worledge has been appointed a non-executive director of THE RUGBY GROUP. He is a director of R.A.T. Industries, and chairman and chief executive of its wholly-owned subsidiary, The Whiggins Teape Group.

Mr Murray Stuart has been appointed a non-executive director of SAVE & PROSPER GROUP. He is group managing director of Metal Box.

Mr Peter Mangan has been appointed group marketing director of DOLLOND & AITCHISON. He was chief executive of Storecard, credit card arm of the Storehouse Group.

KWIK-FIT HOLDINGS has appointed Mr Peter Holmes to the main board as marketing and advertising director. He has been with the company since 1983.

Mr Tim Jones has been appointed head of marketing and Mr Barry Smith head of broker sales at SEMINEL LIFE.

MCCARTHY & STONE has appointed Mr John Dewar as personal director for group services. He joins from B&Q Retail where he was personnel controller. Mr George Wiles has been appointed managing director of Homelife Care, nursing and residential care arm of the group.

Mr C.A. Gurbani has been appointed managing director of PALMERSTON INVESTMENT TRUST. Mr M. Fielding becomes non-executive deputy chairman.

Mr Peter Bicknell has been appointed managing director of WALTER JUDD PUBLIC RELATIONS. He joins from St James's Public Relations.

D.C. COOK HOLDINGS, Rotterdam, has appointed Mr Gerry Hart as general financial controller to supervise the operations of its national contract hire and leasing division. He was chief accountant of Godfrey Davis European.

Joining Amstrad board

Mr Jose Luis Dominguez and Mr Marisa Vassier have been appointed to the board of AMSTRAD. Mr Dominguez founded Indescomp, Amstrad's Spanish distributor which the company has now acquired, and renamed Amstrad Espana. Mr Vassier is chief executive of Amstrad International, the company's wholly-owned French subsidiary.

Mr Christopher Fielden and Mr Michael Kettle, members of the Gallaher group executive, have joined the board of GALLAHER.

Mr Richard Mackness, company secretary, has joined the board of MTM.

Mr Peter Hammond has been appointed chief executive of the RAC MOTOR SPORTS ASSOCIATION. He was managing director of Edman Communication Group's advertising and support division, Exos.

HASSALL HOMES WESTERN (previously Millard Homes) has appointed Mr Colin E. Smith as managing director. He joins from Hassall Homes house-building division which is part of Raine Industries where he was technical director.

Mr John Hackett and Mr Tim Spratt have been appointed to the board of BROAD STREET ASSOCIATES PUBLIC RELATIONS. Mr John Hackett has joined the board as director of investor relations. He was a di-

rector of Kleinwort Grieveson Securities.

MASTERLINE SYSTEMS has appointed Mr David Tegg as managing director.

Mr Maxwell Creasey has been appointed chairman of HANOVER PROPERTY UNIT TRUST. Mr Robert Fry and Mrs Sylvia Bowden have joined the board. Mr Creasey is a non-executive director of Associated British Ports Holdings, Grainger Trust, and Haslemere Estates. Mr Fry is the deputy managing director of Lloyds Bank Stockbrokers, and Mrs Bowden is a director of NIM Property Services.

Mr Richard Graves and Mr Richard Hawkins have been appointed to the board of SECURICOR INTERNATIONAL. Mr Graves is chairman of Securicor Europe, and Mr Hawkins becomes financial director of Securicor International.

Mr C.W. Wigan has been appointed chairman of SOLENT BURY INVESTMENTS. He joins from City Merchants Bank.

Mr Walter Harfield has been appointed a director of HAMWORTHY ENGINEERING, part of the Powell Duffryn Group, and general manager of the pump and compressor division from November 1. He was director and general manager of Hamworthy subsidiary Williams and James (Engineers).

LEWIS & PEAT HOLDINGS has made the following changes in its subsidiary Wilson, Smithett & Cope. Mr R.C. Wents becomes managing director. Mr L. Cope remains on the board as a non-executive director; Mr C.A.J. Rogers, Mr D.L. Cowley, Mr D. Feasby and Mr D. Landais have been appointed directors. Mr W.F. Phillips, formerly managing director, will be joining the board. Wilson, Smithett & Cope (Sugar), and Galben Lobo (England). He is taking up wider responsibilities within the group and will become an adviser to the chief executive for the international development of Lewis & Peat's coffee and cocoa business. Mr J.P.J. Wheeler has become group financial director.

CENTRAL AND CITY PROPERTIES has appointed Mr Andrew Cates to the newly-created post of finance director. He was finance director of Solagas UK - construction division.

Mr Stephen East, deputy treasurer, has been appointed group treasurer of REDLAND from December 1, following the resignation of Mr Gareth Jones who is joining the board of

FIRST MORTGAGE SECURITIES as an executive director with responsibility for treasury activities. FMS was set up earlier this year by Morgan Grenfell and Co., Bank of Scotland, GEC Financial Holdings, and F. & C. Enterprise Trust to develop a residential mortgage lending business in the UK, funded initially in the wholesale money markets and later through securitisation.

Mr Mark Smith, formerly managing director of Homequity, has joined the personal banking operations of KLEINWORT BENSON.

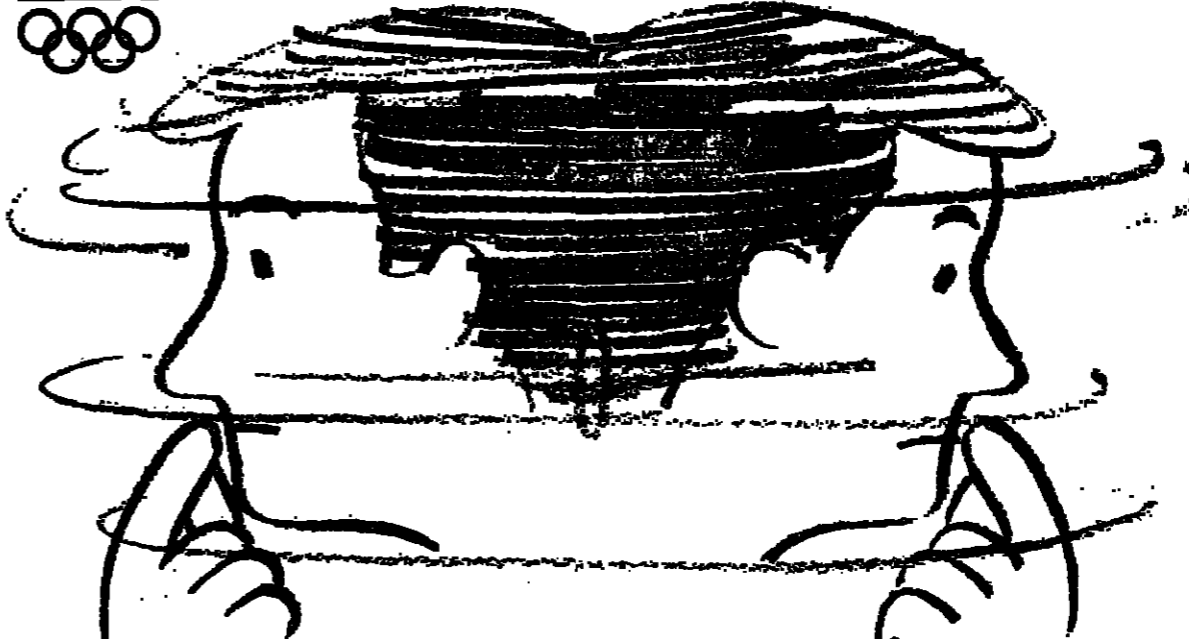
Mr Roger Hymas will be joining the BURTON GROUP this month as managing director of Nationwide Credit Corporation, taking over from Mr Colin Harrison who has left the company. Mr Hymas is vice-president and general manager of the financial services division of American Express UK.

The law firm NABARRO NATHANSON has appointed Dr John Hooper to the new post of chief executive, responsible for the direction and management of all support services. He joins from the Chartered Institute of Building, where he was chief executive.

Gateway marketing director

THE DEE CORPORATION has made the following appointments to the Gateway board. Mr Ian Wolsey becomes marketing director. He was with Haymarket Management Consultants. Mr Bob Willett has joined the board as non-food director. He was operations director of Owen Owen. Following these changes, Mr David Fisher, who became joint managing director of Gateway at the time of integration with Carrefour, will take up broader responsibilities with The Dee Corporation as group marketing director, based in Milton Keynes.

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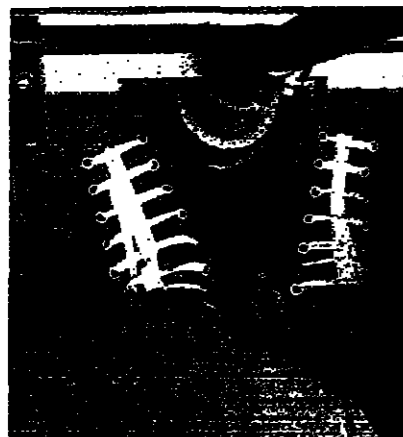
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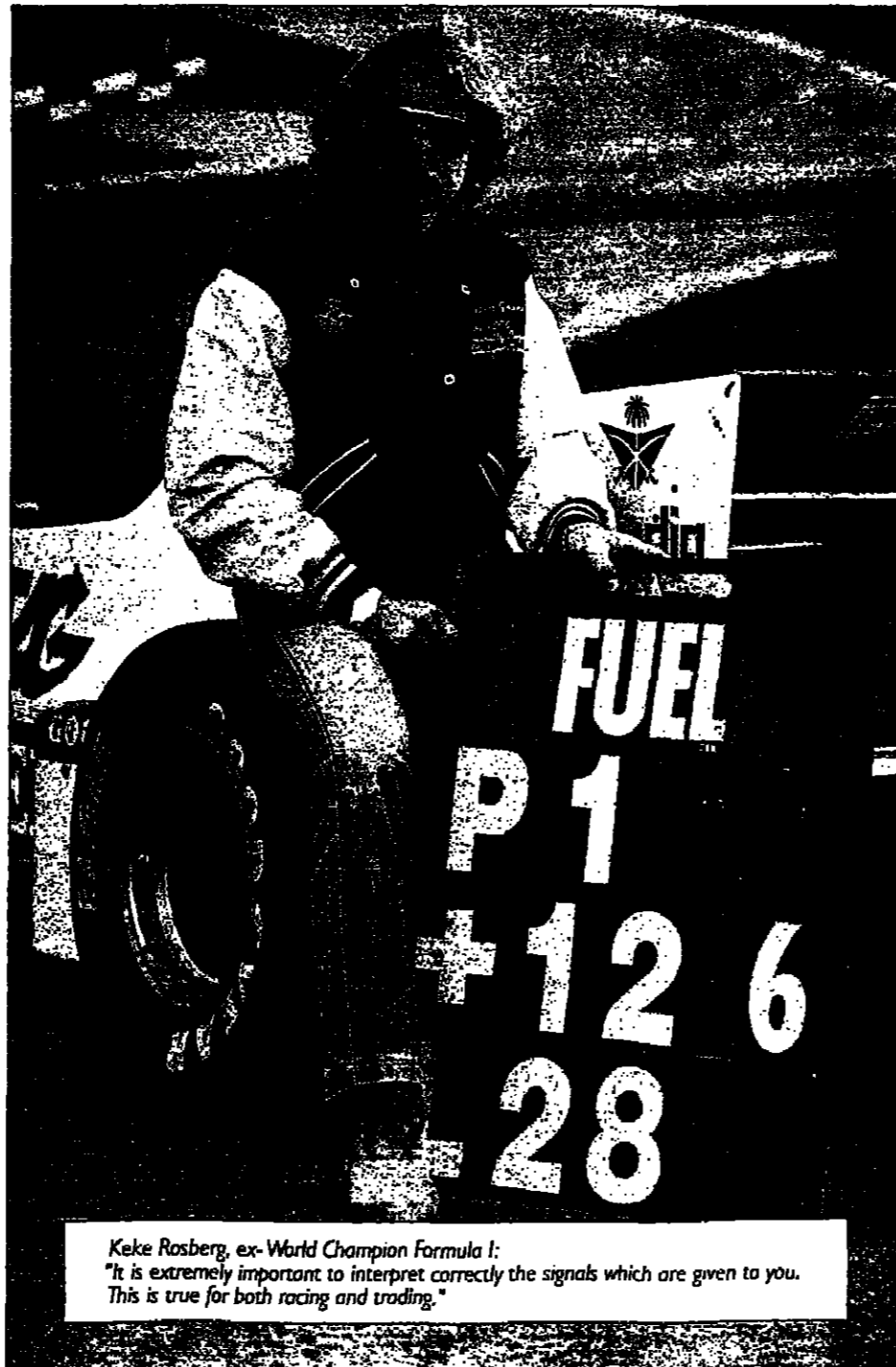
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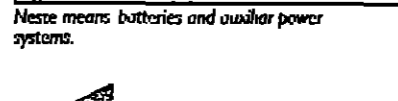
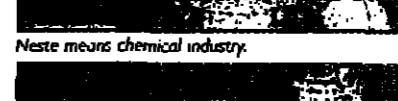
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Do headquarters earn their keep?

Michael Skapinker on the ways companies control subsidiaries

WHAT IS corporate head office for? Does it add anything to a large diversified company other than overheads? Wouldn't the individual businesses that make up large groups often be better off on their own?

And if a business is to become part of a major group, what kind of group should it be? This issue was hotly debated, for example, during the battle between Hanson Trust and United Biscuits for control of the Imperial Group. Hanson and UB have markedly different views on how to deal with their subsidiaries.

Sir Hector Laing, UB's chairman, takes a long-term view of business success. "I believe it takes about eight years to build a business," he says. "If things are going wrong you identify them with the management and help them out. At these times control should get more friendly, not more fierce."

Hanson, on the other hand, sets its managers demanding financial targets and expects them to meet them. It does not give its businesses eight years to get things right. "All of our businesses are for sale, all of the time. If we think we can get more for them than they are worth to us, we will sell," says a senior Hanson manager.

The relationship between the corporate whole and its various parts is a subject which Michael Gould and Andrew Campbell, both of the London Business School, have been researching for the past three years.

Gould and Campbell looked at the management of 16 large UK companies, including British Petroleum, Courtaulds, ICI, BTR, GEC and Hanson. They have now produced a book due to be published later this year.

The way in which these large groups are run is more pertinent than ever, they argue. In the past 35 years, diversified corporations have greatly increased their hold over the UK economy.

In 1950, 75 per cent of the 200 largest companies in Britain derived their sales from a single business. By the mid-1980s only 35 per cent of large firms concentrated on a single business.

And yet, when Gould and Campbell asked managers at each of their 16 companies how they managed their constituent businesses, they found wide

variations. Some senior managers believed that corporate headquarters should be deeply involved in planning the detailed strategy of each individual business. Others said that although corporate headquarters made suggestions, the business level managers knew their job best and should be allowed to get on with it - as long as they reached the targets set for them.

Despite the variety of approaches, Gould and Campbell found that the styles of the companies fell into three broad categories.

Lower level

● Strategic Planning companies. These included BP, BOC, Cadbury Schweppes, Lax, STC and United Biscuits. Their senior managers believe that they should be closely involved in the formulation of their business units' strategies rather than leaving them to lower level managers. Down at the business level there are two or three decisions each decade that make or break a business, a senior executive of one of the companies said. "Do you really want to leave the business manager alone to make these?"

The Strategic Planning companies set their individual business targets to reach, but they tend to be more understanding if, for reasons beyond their control, their managers find themselves unable to meet them. Corporate headquarters is more interested in whether the business is moving in the right direction long-term. For example, are they winning greater market share? Are they fulfilling the company's long-term goal of becoming more active in the United States?

● Financial Control companies. These are companies such as Hanson Trust, BTR, Ferranti, GEC and Tarmac. There are differences between these organisations, but their central headquarters staff tends to be small and their central managements are not involved in detailed planning with the business units. The business units themselves have less interaction with one another.

Managers are given financial, rather than strategic, targets to meet. The focus is short-term, usually 12 months. Managers

are taught to concentrate on annual results rather than some nebulous long-term goal. Jim Barrie, a manager at Tarmac, told Gould and Campbell that "the danger is that managers have their eyes on the horizon when there are potholes in the road ahead."

The writers asked Malcolm Bates of GEC how many years a manager could fail to meet his budget before he lost his job. They recall that "his response was telling and only partly tongue-in-cheek. 'How many years? You mean how many months. He might last for six months or he might not.'"

● Strategic Control companies. This third group includes Courtaulds, ICI, the Imperial Group, Plessey and Vickers. Strategic Control companies fall somewhere between the two categories described above. Their corporate head office is involved in helping the business units draw up their strategies but expects them to do more of the work themselves. The task of central management is to audit the quality of thinking in the business units rather than to set them particular tasks.

Sir Christopher Hogg, chairman of Courtaulds, describes the role of the centre as that of a "detached but sympathetic and knowledgeable 100 per cent shareholder. At the centre our role is to enforce quality standards in strategic thinking and we have a role in helping educate and develop managers."

Strategic Control companies attempt to balance long-term and short-term objectives, setting their managers annual financial targets as well as strategic goals such as launching a new product or improving customer service.

When Gould and Campbell embarked on their research they hoped to be able to say which of these three styles was most effective. Life, predictably, is not as simple as that. Each of the styles has its advantages and disadvantages.

The Strategic Planning companies Gould and Campbell studied have been consistently profitable in recent years. They have also shown impressive levels of organic growth.

Their planning process, however, takes up a lot of central management time. Managers at

"WE HAVE A VERY HANDS-ON CORPORATE HEAD OFFICE"



the business unit level are also occasionally frustrated by not being allowed to follow their own instincts.

Financial control companies have produced an even better financial performance than Strategic Planning companies. But companies like Hanson and BTR concentrate on growth by acquisition and the organic growth of companies in the Financial Control group has been weak.

Gould and Campbell point out, too, that setting strict financial targets sometimes leads to managers being unwilling to take risks for fear that their business might deteriorate in the short-term.

Strategic Control companies have also performed well, but their attempt to set their managers a mix of financial and strategic goals has not been successful. The short-term financial goals are more specific and tend to take precedence.

So if all three styles have both advantages and disadvantages, does it really matter which strategy diversified corporations follow? Yes it does, Gould and Campbell say. "Once the style is set, the effective strategy options begin to narrow down."

For example, the larger the number and range of separate businesses in a company's portfolio, the more difficult it is for the centre to understand them all and participate in establishing their strategies. Groups of this sort are probably better off adopting the Financial Control rather than the Strategic Planning style.

The competitive environment

Alcohol and accidents

INSIDE THE EDGE

Peter Bensinger tells Michael Skapinker why UK employers should not be complacent about drink and drug-related problems

DURING THE 5 1/2 years that Peter Bensinger ran the US Drug Enforcement Administration, four of his employees were murdered. "It's dangerous work, really dangerous," he says. "You're dealing with people to whom the value of life means nothing."

As the mastermind of America's war on the drug-dealers, Bensinger had his share of death threats too. But it was his 2,000 agents, most of them working under cover, whose lives were really on the line.

"The people the drug-dealers are afraid of are the ones who could put them in a federal penitentiary. I didn't see them selling the junk. The agent who does is the one in danger," he says.

Bensinger served as America's top drug enforcement officer under three Presidents: Gerald Ford, Jimmy Carter and Ronald Reagan. Since he left the agency in 1981 he has been selling his expertise to the private sector as a Chicago-based consultant on drug and alcohol abuse.

He is spending this week in Britain where he has been invited to address two conferences. He is using the opportunity to assess UK demand for his services. "From what I can tell from my contact with your hospitals and police, there has not been a comprehensive effort against drugs here," he says.

Consultancy is the latest turn in a varied career, amply rewarded by, among other things, an honorary life membership of the National Sheriff's Association, an honorary Doctor of Law degree from Dankook University in Seoul and a Distinguished Service Medal from the government of Peru.

Bensinger started off as a manager with the Brunswick Corporation, a diversified US manufacturer, working in England, Germany and Chicago. After volunteering to serve on a

state government taskforce, he was asked, in 1970, to become director of the Illinois Department of Corrections, with direct responsibility for all the state's prisons.

It was a far more dangerous job than being head of the drugs administration, he says. "There you were, dealing with people, some of them mentally unbalanced, who, when they left prison, might want to take criminal retribution against the director who denied them quick release or who authorised lock-ups."

During his period of running the jails, he improved the pay and training of prison staff and worked on finding meaningful employment for convicts after their release. Recidivism began to fall, he says. The directors of the other state prison systems elected him President of the Association of State Correctional Administrators. "It sounds modest to say so, but I became a national figure in corrections in the early 1970s."

When, in 1976, he was appointed head of the Drug Enforcement Administration, heroin was the major American drug problem. Cocaine was not yet widely used. With the co-operation of the Mexican government, which destroyed thousands of poppy and marijuana fields, heroin imports began to fall.

But as long as drug users believe they can escape detection, he says, there will be growers and traffickers to supply them. He remembers flying over Colombia in a helicopter and seeing over 100 illegal airstrips for planes to pick up marijuana and cocaine destined for the US.

For one whose work has brought him face-to-face with so much ugliness, the bespectacled Bensinger is unexpectedly mild-mannered. But, wearing his drug consultant's hat, he reels off statistics designed to rattle even the most complacent

of corporate executives. Employees with drug and alcohol problems are three to four times more likely to have on-the-job accidents and 2.5 times more likely to be absent from work. They will probably be 25 to 33 per cent less productive, he says.

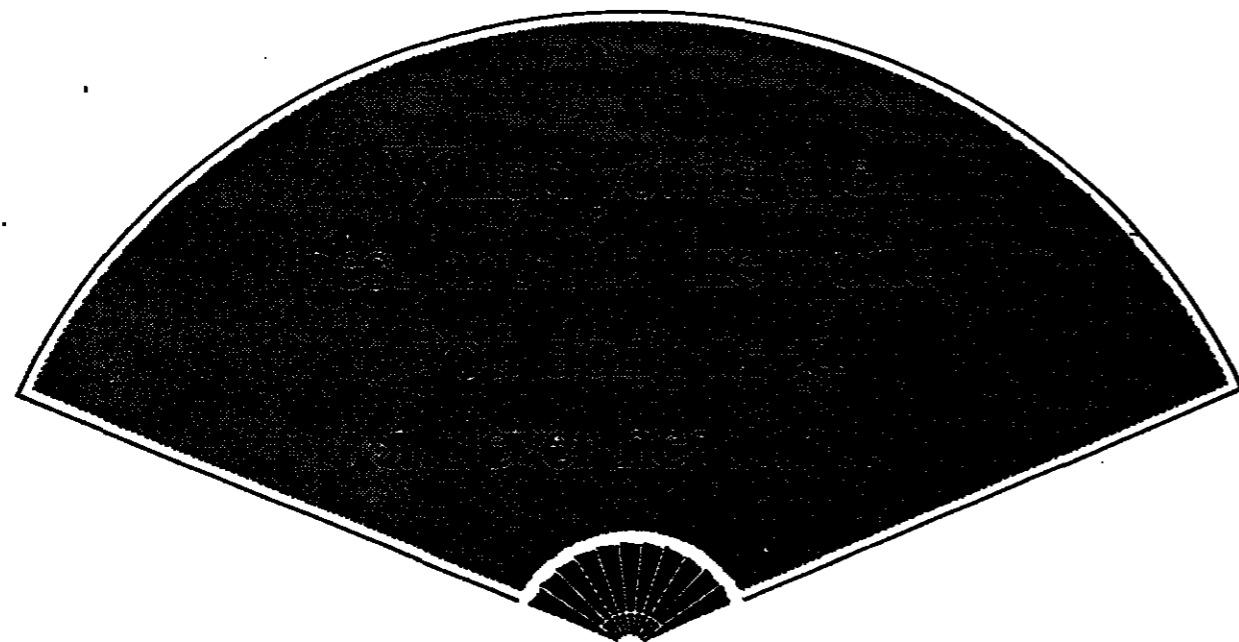
In the US, he concedes, the number of regular users of marijuana has now gone down. Today there are 18m Americans who smoke marijuana once a month, compared with 22m in 1965. But the marijuana being sold in America is eight to ten times more potent than the weed available ten years ago, he says.

At the same time there has been a dramatic increase in the use of cocaine. There are now 6m users in the US, he says, compared with 4m two years ago. America had 1,470 cocaine-related deaths last year. In 1976 there were 70.

Cocaine has become much cheaper on both sides of the Atlantic, he says. So has "crack", the purified cocaine which reaches the brain in three seconds. "You don't have to be a jet-setter or a movie star or a business tycoon to afford it. You can start using it on an ordinary paycheck. You can't sustain it, but you can start it."

But isn't there an element of hysteria to the current US campaign against drugs at work? Should British employers really be testing all their employees to see whether any of them has smoked a joint recently? Well, it is quite true that alcohol is a far more serious British problem than drugs, Bensinger says. But then alcohol is a more serious problem in the US too.

The point is, he says, that British employers still have a chance to avoid a drugs problem on the scale of America's. "If the UK follows the pattern of the US it will be most unfortunate."



MANDARIN ORIENTAL
HONG KONG

Since opening its doors almost twenty five years ago, Mandarin Oriental Hong Kong has become a legend, consistently earning the accolade of "The Best Hotel in the World". Just recently, this honour was again bestowed by the readers of Business Traveller magazine. Exactly what has made this hotel a legend is difficult to say. Perhaps

it is the unobtrusive attention to individual service. Perhaps it is its prime location in the centre of Hong Kong with immediate access to major business houses and luxury goods shops. Perhaps it is the superlative accommodation with balconied rooms and harbour views. But one thing is certain, it's again been nominated as the best. And that says it all.

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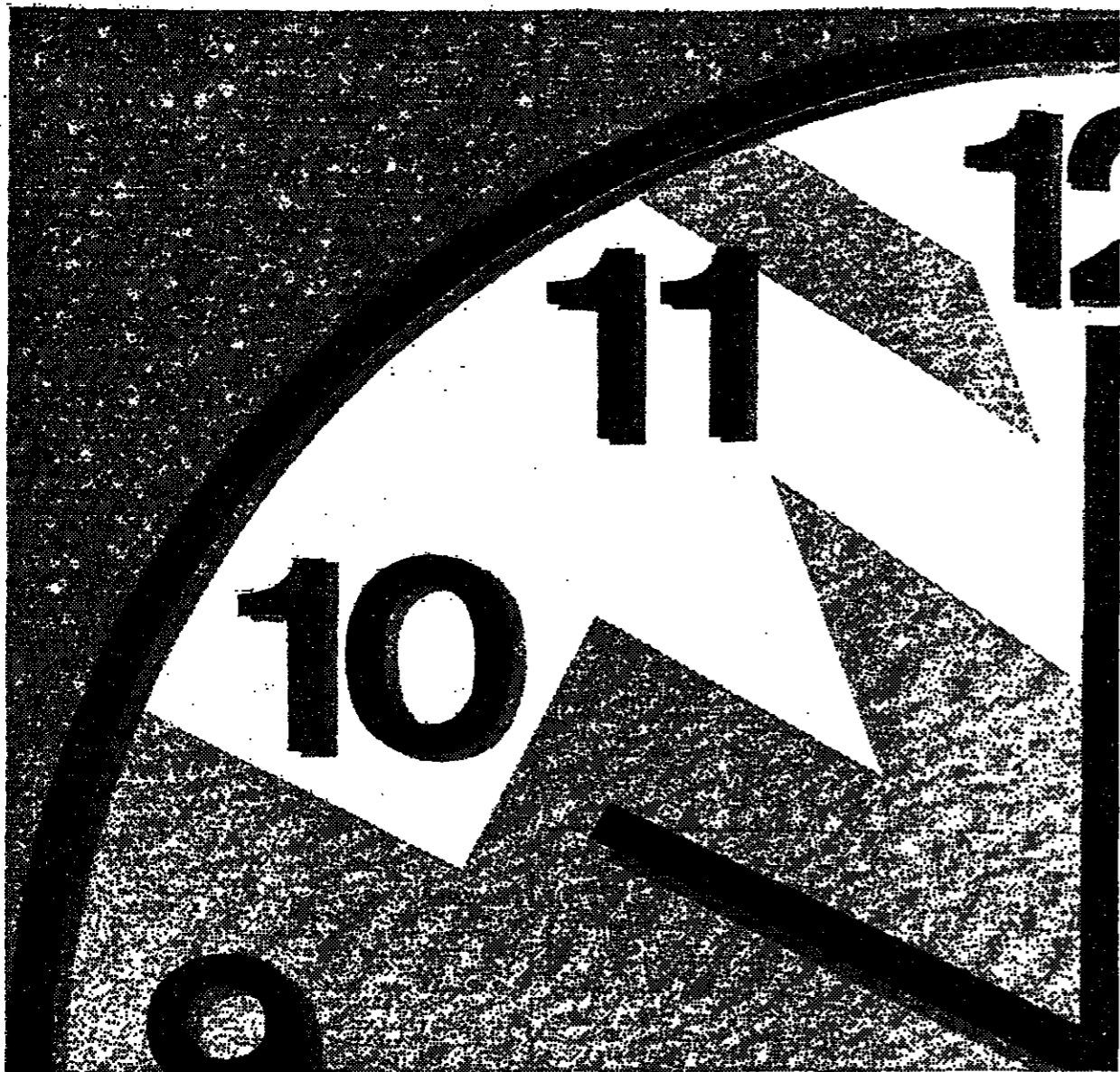
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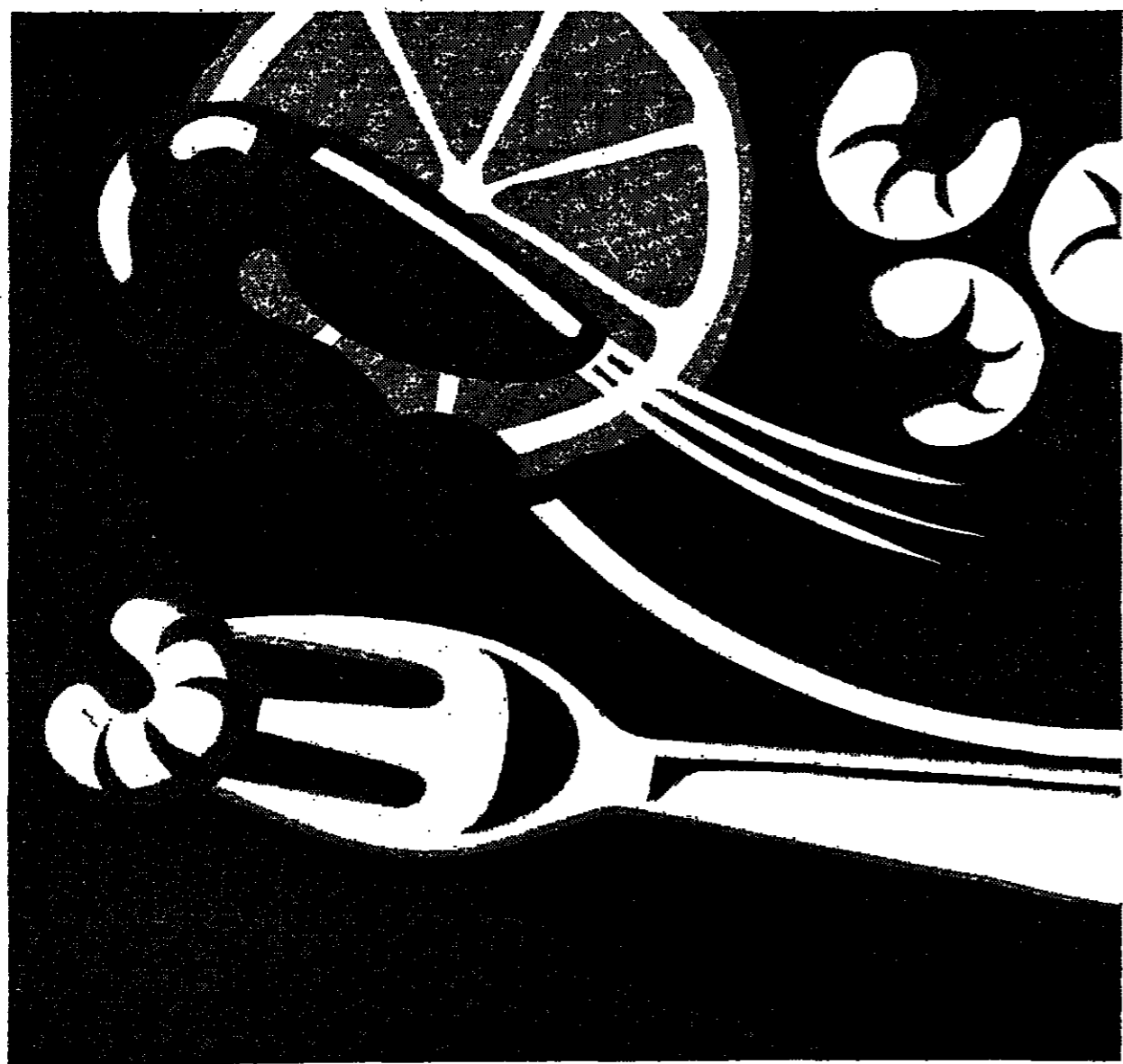
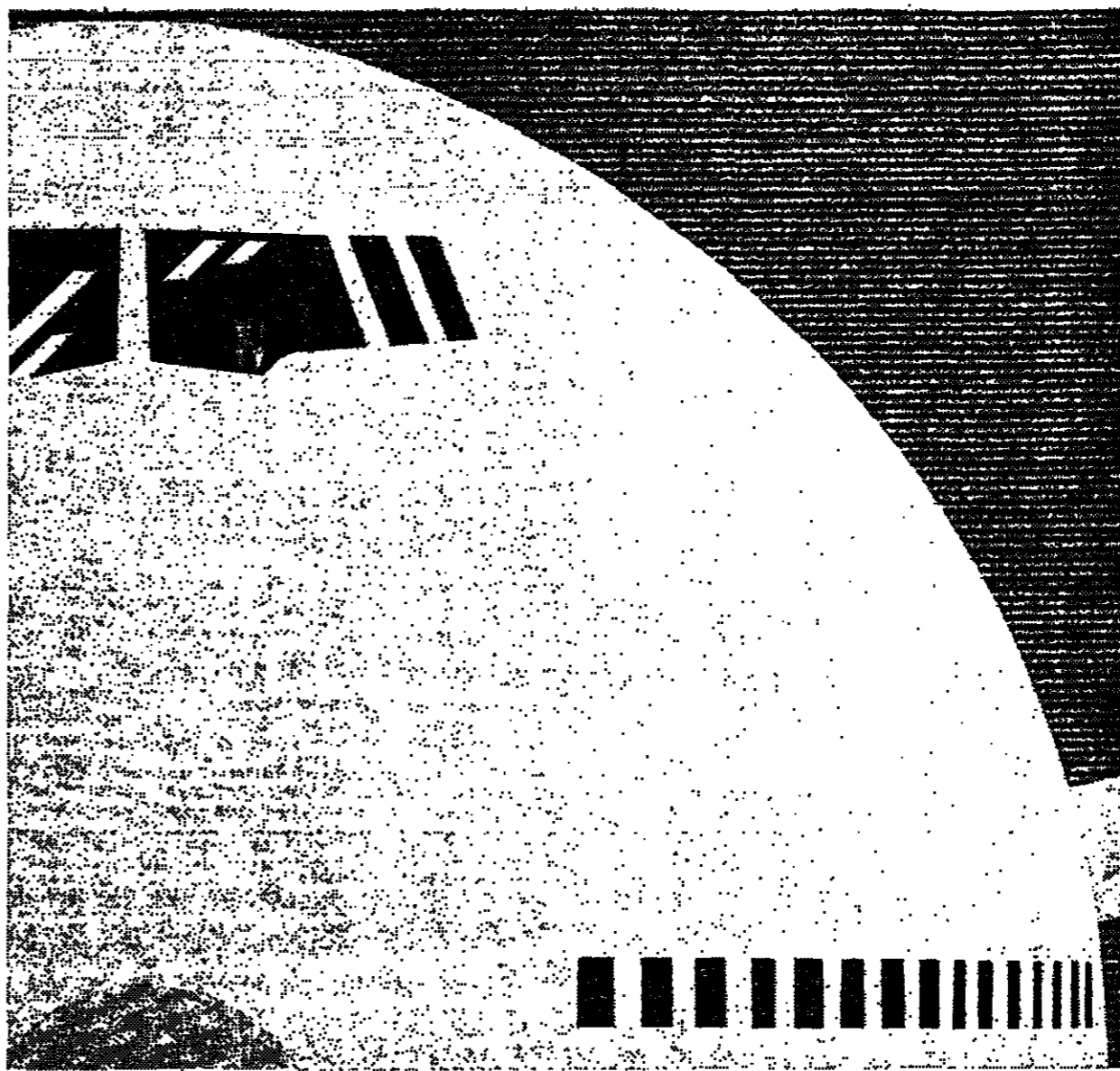
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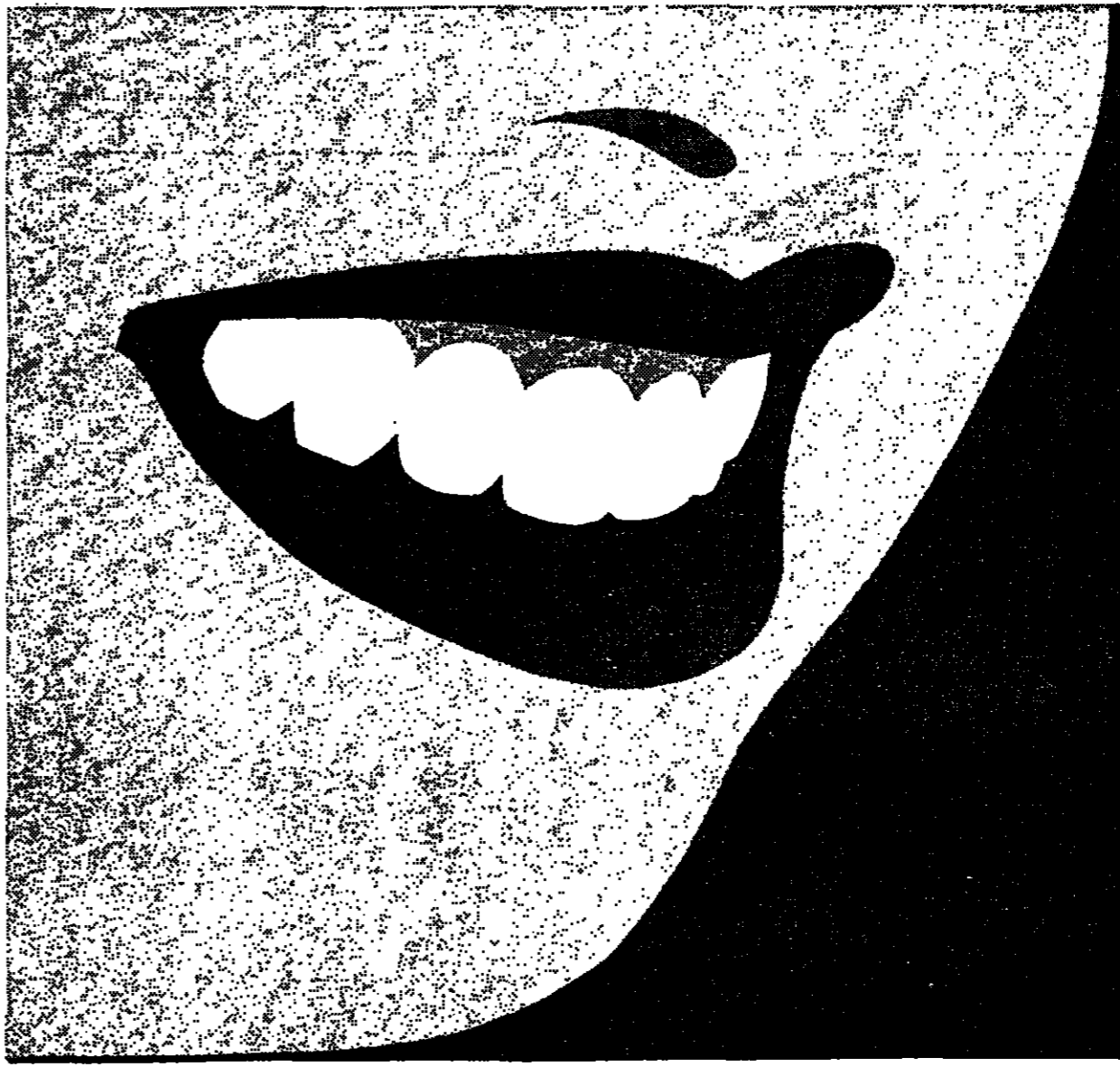
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THE ARTS

Arts Week

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2 | 3 | 4 | 5 | 6 | 7 | 8

Exhibitions

LONDON

The Tate Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissonance ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful ostentatious setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful ostentatious setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful ostentatious setting is a nice question.

PARIS

Bibliothèque Nationale: Fine Prints in France from the 16th to the 18th Century. More than 200 impressions of exceptional quality from the print department of the Bibliothèque Nationale show the infinite possibilities of artistic expression through varied techniques of printmaking. The panorama ranges from early

engravings showing strong Flemish, German and Italian influence to the majestic Grand Siècle style under Louis XIV, from Boucher's pastel-hued subjects galant to the modernism of Toulouse-Lautrec and the striking colours of Bonnard. Bibliothèque Nationale, Galerie Mansart, 58 rue Richelieu. Ends Nov 2.

Fragonard: The Grand Palais is staging the first retrospective of Fragonard in collaboration with the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which he saw a manifestation of "nature's perfect health". The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative facility of the 18th century. Grand Palais. Ends Jan 4.

Articular presents a panorama of 12 years of its activities in favour of contemporary art as a gallery, a library and as an editor of "multiple originals" of statues and jewels, contemporary furniture, Sonia Delaunay's personal dinner plates and a 1930 carpet. The gallery's exhibitions have tried to present the image of the 20th century. Sonia Delaunay was followed by Giorgio de Chirico, Zadkine's retrospective by Man Ray photographs. There was sculpture by Chadwick and the art of the poster by Matisse. All culminated in a homage to the late President Pompidou - like Articular a lover of the avant-garde. Articular, 9 Ave Malignon (4299 1816). Ends Nov 14.

WEST GERMANY

Bonn, Rheinisches Landesmuseum, Colmanstrasse 14-16: Sculpture from the German Democratic Republic (East Germany). A result of the cultural agreement of May 1986 between East and West Germany, this exhibition includes 130 sculptures, some of them larger than life, and about 60 paintings of sculptures by 51 artists, and covers four decades. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldemar and Sabine Gried-

mek, Ingeborg Hunzinger and Franziska Lohbeck. The show will be in Bonn until October 18 and then to Munich (Städtische Galerie moderne Kunst, Nov 5-Jan 3) and Mannheim (Städtische Kunsthalle, Jan 23-Feb 21).

Hildesheim, Roemer- und Pelizaeus-Museum, Am Steine 1-2: Egypt's rise to a World Power. More than 300 pieces loaned by 20 museums in Europe, Africa and America - the first presentation of the most important 150 years 1500-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmose III, discovered in 1897 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 28.

ITALY

Rome: Two exhibitions which opened to coincide with the World Athletics Championships in Rome. The first, (until November 15), Azula and Athletics in Classical Greece at the Palazzo dei Conservatori at the Campidoglio recounts the religious origins of this sport in Greece and includes a handful of fine statues (including the extraordinarily modern discobolus of Castel Porziano) and vases, while the second, at the Museo della Civiltà Romana (Piazza G. Agnelli 10, Eur-Rome), entitled Sport in Antiquity, recounts how the games gradually became an amusement for the masses and a means of self-advertisement for emperors. The museum in which it is housed is little-publicised and full of fascinating objects (Roman surgeons' and obstetricians' tools, weights and measures and scale models of bridges, viaducts etc.). Ends October 25.

Venice: Ala Napoleonica and Museo Correr: Matisse and Italy: over 250 works by one of the most poetic of 20th century French painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private

and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organiser, has attempted to show how the works of Italian painters such as Mantegna, Pollaiuolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Venice: Palazzo Grassi: Jean Tinguely 1924-1987: The jolly mechanical sculpture of Swiss artist Jean Tinguely. A gentle, but still mischievous, version of Salvador Dali, Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments", and the complexity and sheer improbability of his works communicate a touching "joie de vivre". Over 300 works are on show, lent by American and European museums, with photographs of his first Self-Destructing Sculpture. Homage to New York, which only self-destructed in the gardens of the Museum of Modern Art in New York in 1969. Ends Oct 18.

Crevin: Masterpieces by Antonio Stradivari: In honour of the greatest violin-maker ever, who died 250 years ago aged 63. About 50 instruments are on show including one of the ten surviving fiddle instruments - a violin outlined front and back with a delicate fret of ivory spurs and diamonds and a body, a violin and a wooden violin case covered with leather and studded with nails forming an elaborate pattern on the lid. The exhibition has been organised by Charles Beare in collaboration with the Italian architect Gaspare Leoni to coincide with the Cremona Music Festival at which Stradivari instruments will be played. Ends Oct 17.

SPAIN

Barcelona: "Leonardo da Vinci. Nature Studies" 50 drawings on loan by the Royal Library at Windsor Castle, shown recently at the Metropolitan Museum, Stockholm and Tokyo. Centro Cultural La Caixa, Paseo de San Juan 108. Ends Nov 8.

Madrid: "Bauys, Klein and Rothko. Transformation and Prophecy". Centro Cultural de la Caixa, Serrano 69. Ends Nov 8.

Madrid: "Ouka Lale 1977-1987". A retrospective of Madrid's "movida", photographer with her colouring of

facts, shows her latest controversial piece "cheles" requested by Madrid's town hall, halting the capital city's main square and causing a tremendous traffic jam last summer. Museo Espanol de Arte Contemporaneo, Avda Juan de Herrera. Ends Nov 5.

Madrid: "Mark Rothko 1903-1970". 54 works by North American artist of Russian origin grouped with de Kooning and Pollock. This show was seen recently at the Tate in London. Fundacion Juan March, Castellón 77. Ends Jan 3.

Madrid: "Mies van der Rohe". 150 drawings by the architect to commemorate his birth was prepared by the Art Institute of Chicago and shown in Frankfurt and Paris last. Sala Moya, Nuevos Ministerios. Ends Nov 1.

NEW YORK

Metropolitan Museum: 200 objects from the Age of Sultan Suleyman the Magnificent demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large selection of illuminated manuscripts, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

Center for African Art: Angles on African Art features ten co-curators, ranging from an African tribesman to collector David Rockefeller, each of whom chose ten of their favourite pieces, making a well-rounded and diverse show. Other curators are writer James Baldwin, artist Nancy Graves and Roman Seiden and curator William Rubin. Ends Jan 3.

IBM Gallery: Post Modern Architectural Visions includes an international array of designers including Michael Graves, Hans Hollein, and Adolfo Natalini from 1980 to 1985, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th & Madison (407 6100).

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James

Swan Lake in Rudolf Nureyev's choreography conducted by Ashley Lawrence/Michel Quereau with Isabelle Guerin/Elizabeth Maurin/Sylvie Guillem/Elizabeth Plateau and Clotilde Vaayer alternating in the role of Odette/Oile and Laurent Hilaire, Rudolf Nureyev, Charles Jude, Jean-Yves Lormeau and Mamel Legris in that of Siegfried. Paris Opera (4742 3730).

Puccini's Il Trittico: Opera Comique (4742 3711).

NEW YORK

Metropolitan Opera (Opera House): The week features L'Elisir d'Amore conducted by Raffi Wexler in Matherial Merrill's production with Dawn Upshaw, Carlo Bergonzi and Brian Schenayder; Otello, conducted by James Levine in Franco Zeffirelli's production with Kiri Te Kanawa

Agge's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabe, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

Hiroshige Museum: One of the Chicago contemporary primitivists whose repeated scenes make evocative images has his first major east coast retrospective with 49 paintings and four painted constructions. Ends Oct 18.

TOKYO

Buddhist Art from Thailand: 155 works, mainly sculptures in stone, bronze and clay comprise this major exhibition of Thai art - the first on such a scale outside Thailand. The pieces, from 2,000 BC to the 19th century, represent the main period of Thailand's history. Tokyo National Museum, Ueno Park. Ends Oct 4.

European Nature in 18th Century Japanese Art: This exhibition is of Japanese art inspired by Dutch manuals imported into Japan in the early 18th century, after the Japanese Government lifted its 200-year-old ban on foreign materials. The 160 paintings and sketches of European flora, fauna and people throw some more light on the Japanese phenomenon - information-hungry and seeking to catch up with the West from the first slight opening of the door to the outside world in 1720. Suntory Museum of Art, Akasaka-itsuke. Ends October 25. Closed Mondays.

Benjamin Kilian Ceramics With Shoji Hamada this potter is recognised as one of Japan's important potters working in the folk tradition - benefiting from the influence of England's Bernard Leach. There are 150 interesting works and the design of this modern new museum and its parking are noteworthy. Setagaya Art Museum. Ends October 18. Closed Mondays.

Field Ballet (Joyce): Two new ballets, Embraced Waltzes and A Dance for Two, highlight the mixed programme of this 20-dancer company in its month-long season. Ends Oct 31. 175 8th Av at 19th St. (242 0800).

WASHINGTON

Houston Ballet (Opera House): Mixed programmes in the week long visit include Etudes, Robbin and Bartok Concerto. Ends Oct 11. Kennedy Center (254 3770).

Theatre

NEW YORK

Fences (48th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6282).

42nd Street (Majestic): An immediate celebration of the heyday of Broadway in the '30s incorporates songs from the original film like Shuffle Off To Buffalo with the appropriately brush and leggy hoofing by a large chorus line. (977 0020).

A Charles Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as emotions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some useful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2625).

WASHINGTON

Breaking the Code (Eisenhower): Derek Jacobi brings his role of Alan Turing to America. Ends Oct 31. Kennedy Center (254 3770).

Red Noses (Goodman): The American premiere of Peter Barnes' medieval yandeville comedy pits Father Floe (Ivar Brogger) against the plague with his remedy of humour. Ends Oct 31. (443 3800).

Cabaret (Opera House): Hal Prince again directs Joel Grey as the seductive master of ceremonies in a Broadway-bound revival of the evocative musical of Berlin life in the 1930s. Ends Oct 3. Kennedy Center (254 3770).

TOKYO

Les Misérables: After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was hand-picked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "school" and reborn by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designers from London. Tokyo's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company,

Shiseido. Imperial Theatre, near Ginza. (301 7777).

Noh by Torchlight (Takagi Noh): Ideal for the lovely cool autumn evenings, this theatre by freight offers a rare chance to experience Noh in its original outdoor setting. The effect of strategically placed fire baskets around the darkened stage is perfect for its other-worldly atmosphere. Toroboshi is about a reconciliation between a father and his banished son who becomes a beggar-priest, and is followed by the kyogen comic piece, Tsuto Yamauchi. The pocket books A Guide to Noh and Guide to Kyogen (available at hotel bookshops), give the plots. Hibiya City Plaza, near Ginza. (Thur). (257 9999; 595 0295).

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge. Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear. Hopkins, a massive gaunt old, which gathers force and more friends as it continues in the repertoire (928 2252).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happenings in a wonderful Paris Opera House. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, marvellous and palpable hit. (639 2244, CC 579 6131/240 7200).

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Coast retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farnham's set looks like a cheap plank brockel and the actors, a dull lot, clump around on high boots in big bulging costumes. (928 8765).

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swallowing yuppie how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and vivid, but new cast deemed less good. (836 3028, CC 379 6565).

Continued on Page 25

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1. Mighty Mouse.

If you thought this first section was going to be a regurgitation of that old chestnut about mice terrifying elephants, you can relax. As it happens, elephants do tend to be afraid that rodents might run up their trunks — but it is highly likely that the humble mouse once played a far more significant role in the history of the world.

Various theories have been put forward to explain why the dinosaurs died out 65 million years ago, such as: raids by hunters in flying saucers; a lack of room in Noah's Ark; a lemming-like mass suicide by all species everywhere at the same time; and even 'Paleoweltschmerz' (i.e. the dinosaurs became so disillusioned with their world that they died of sheer boredom).

However, a somewhat more plausible reason for their extinction is that small shrew-like mammals ate their eggs.

Being warm-blooded animals, the 'mice' were able to pursue a nocturnal way of life, whereas the cold-blooded dinosaurs, whose body temperatures depended on the outside environment, could not. The rodents could therefore have devoured their unguarded eggs with impunity, depleting their numbers until they died out completely.

2. Tiny tots.

There are many more examples of small but powerful creatures in the modern animal world. In relation to its size, an ordinary house spider can run eight times faster than Ben Johnson. A flea can jump 130 times its own height. An ant can pull a load 300 times its own weight.

Yet perhaps the most impressive example is that of the Falabella horse.

Derived by crossing Shetland ponies with small English Thoroughbreds, Falabellas stand only 24 inches high. However, they run so fast that, over a short distance, they can beat a full-sized racehorse. For their size, they can leap far higher than the leading showjumpers and they are also exceptionally hardy.

These qualities are shared to varying degrees by other miniature breeds. A Shetland has been known to carry a twelve-stone man for forty miles in one day, while a twelve-inch high golden foal recently survived falling down a steep fifteen-foot bank shortly after being born. (Why this foal should then have been called 'Lucky' is a mystery.)

3. The lowest of the low.

The twentieth century has certainly had its share of small and belligerent men — Hitler, Mussolini and Alan Ladd to name but three. However, the person who has come the closest to being a twelve-inch ruler is Attila the Hun. He is thought to have been a dwarf.

Also known as 'the scourge of God', Attila was king of the Huns from 434 to 453. For a time he ruled jointly with his elder brother Bleda (who was actually quite a big Bleda by comparison), but he found this rather tiresome and he murdered him in 445.

His hordes then massacred, looted and burned their way across eastern Europe and finally assailed the Roman Empire. He was defeated once — in Gaul in 451 — but he promptly invaded northern Italy and occupied the imperial palace in Milan, where he had all the paintings altered to show the Roman emperor kneeling at his feet instead of vice versa.

Attila died two years later while making love. It is possible that his diminutive stature contributed to his demise — but history unfortunately does not record whether or not he was standing on a box and fell off.

4. Le petit espagnol.

No one had as great an effect on Europe again until Napoleon Bonaparte came to prominence at the end of the eighteenth century. In 1795, at the age of 25, he was in charge of the French army of the interior. He then led the French forces in Italy to brilliant victories over the Austrians, became First Consul for life in 1802, set up what was effectively a military dictatorship and had himself crowned Emperor in 1804.

In defeating the Austrians, incidentally, he also defeated the hero of our first section. The Austrian generals became so desperate that they inked a mouse's feet and placed it on a map to see if it would trace out a path to victory. It didn't.

Yet without his wellingtons on, Napoleon was only five feet six inches tall himself. It is true that he looks impressive in our picture, which shows him crossing the Alps in 1800, but this is a highly idealized portrait. (For one thing, he actually crossed on a mule.)

He was certainly very sensitive about his height. On one occasion, he was searching for a book in his library when he finally spotted it on the top shelf, well out of his reach. The tall Marshal Monecy dutifully stepped forward. "Permit me, sire," he said. "I am higher than Your Majesty." Napoleon

was not pleased. "No, Marshal, you are longer," he snapped.

Eventually, of course, Napoleon's reign came to an end, with one of the earliest stages in his downfall being the series of defeats suffered by his fleet at the hands of Lord Nelson — who was only five feet two. No wonder both men wore such large hats.

5. We are not very big.

Queen Victoria, sovereign of the United Kingdom from 1837 and Empress of India from 1876, constantly lamented the fact that she was less than five feet tall.

Strangely, her Uncle Leopold seemed to think that she had the power to rectify this if she wished. "I have not been able to ascertain whether you have grown taller lately," he wrote. "I must recommend it strongly".

Victoria did wield considerable political power, however. In 1839, she forced the Prime Minister, Sir Robert Peel, to resign and later dismissed the Foreign Secretary, Lord Palmerston, for committing the unforgivable sin of taking action without consulting her first.

Her close involvement with policy-making and her desire to have her own way sometimes overstepped the proper bounds of a constitutional monarchy, particularly when William Gladstone was Prime Minister. "Others but herself may submit to his democratic rule, but not the Queen," she wrote after yet another disagreement.

Yet when the longest reign in British history finally came to an end in 1901, the shortest monarch had restored both dignity and popularity to a crown whose future had looked decidedly precarious at the time of her accession.

"Will she be happy in heaven?" wondered a member of the royal household. "I don't know," replied Edward VII. "She will have to walk behind the angels — and she won't like that".

6. Not short of words.

Even Queen Victoria was taller than the eighteenth-century poet Alexander Pope. He was only four feet six inches tall as a result of tuberculosis of the bone and a severely-curved spine.

Despite these handicaps, he dominated the London literary scene for almost thirty years — partly on the strength of his sheer talent (his fame was assured at the age of 23 with his 'Essay on Criticism' (1711)), and partly through his stinging attacks on his contemporaries which earned him the nickname 'The Wicked Wasp of Twickenham'.

His verbal assault on Lord Hervey in the 'Epistle to Dr Arbuthnot' (1735) is a fine example:

"Yet let me flap this bug with gilded wings,
This painted child of dirt, that stinks and stings..."
He clearly relished the power that such scathing wit brought him:
"Yes, I am proud; and must be proud, to see
Men not afraid of God afraid of me".

Another writer of the day, William Broome, did suggest that it was Pope's size that stopped many people from fighting back: "His littleness is his protection; no man shoots a wren". But others probably realised that the Wasp was at his most wicked when anyone attacked him, as illustrated by the following composition addressed to a lady who had dared to mock his size:

"You know where you did despise
(Tother day) my little Eyes,
Little Legs, and little Thighs,
And some things, of little Size,
You know where.
You, tis true, have fine black eyes,
Taper Legs and tempting Thighs,
Yet what more than all we prize
Is a Thing of little Size,
You know where".

7. The Prime Minister.

Two centuries later, David Lloyd George — seen here pointing out his missing inches — was using a similar sharpness with words to achieve power.

It has been argued that he was too obsessed with power for its own sake — "He did not care in which direction the car was travelling, so long as he remained in the driver's seat" (Lord Beaverbrook) — yet the facts remain that he led Britain to victory in the First World War and laid the foundations of the modern welfare state.

Like Pope, Lloyd George once had occasion to cut down someone who made a remark about his size.

The chairman of a meeting introduced him thus: "I had expected to find Mr Lloyd George a big man in every sense, but you see for yourselves he is quite small in stature." "In North Wales," came the reply, "we measure a man from his chin up. You evidently measure from his chin down".

Margot Asquith said of him that "he could not see a belt without hitting below it". This was presumably because he could not see much higher.

8. The pocket battleship of the desert.

Another small Welshman also played a leading role in the Great War, namely T. E. Lawrence or 'Lawrence of Arabia'. (He actually measured less than five feet six inches, but this tends to be obscured by the fact that the tall Peter O'Toole played him in the David Lean film.)

After joining the Arab army in 1916, the archaeological scholar soon became its chief organising and motivating force. He ran a guerrilla operation against the Turks, blowing up numerous bridges and trains, and in 1917 he captured Aqaba after a 600-mile march.

Further successful actions followed, and when Lawrence returned to Britain as a colonel in 1918, he was awarded the DSO and the Order of the Bath — though he declined both honours as a protest against the breaking of promises made to the Arabs. He then became a close friend and adviser of Winston Churchill, who described him as "one of the greatest beings of our time".

It should be noted, however, that Lawrence's character was full of contradictions — one of which was the need to subject himself to the power of others on occasions. For this reason, he went on to join the lowly ranks of the RAF and the Royal Tank Corps under assumed names — and also paid an admirer to whip him regularly on the buttocks.

9. The Mighty Atom.

Astonishingly, there was a third small but powerful Welshman who came to prominence at this time.

Jimmy Wilde was only five feet two inches tall and weighed just seven stone, yet he was one of the greatest fighters the boxing world has ever known.

He began his career in a fairground booth, where he once performed the incredible feat of knocking over 23 opponents within four hours. All 700 of his challengers in those early days were far heavier than him, but all succumbed to his phenomenal speed and punching power.

Even when he turned professional, Wilde was still conceding as much as two stone to his opponents — but he kept on flattening them. His fame spread, and soon he was known everywhere not only as 'The Mighty Atom', but also as 'The Ghost with the Hammer in his Hands'.

In 1916, at the age of 23, he won the world flyweight title, which he then retained for seven years and four months — a record unequalled to this day.

It is a further mark of Wilde's greatness that he is the only non-American to be rated No. 1 in the 'All-time Greats' lists of 'Ring' magazine — and in 1959 he was elected to the American Hall of Fame.

10. The half pint PC with the ten-gallon memory.

The Japanese have always been good at producing small things, such as miniature trees and Japanese children, and the latest example of their skill is the Epson PC AX2.

No other personal computer packs as much power into as small a space. It would cover only about two-thirds of this page — yet it boasts a 640K random access memory, 20 megabytes of hard disk storage and a 1.2Mb floppy disk drive.

Furthermore, it runs faster than a Falabella, with processing speeds of 10 and 8MHz.

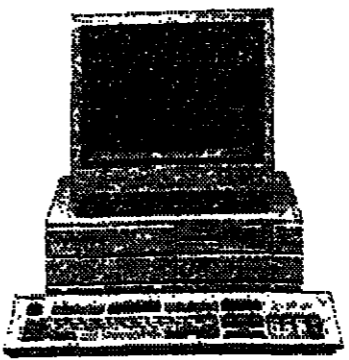
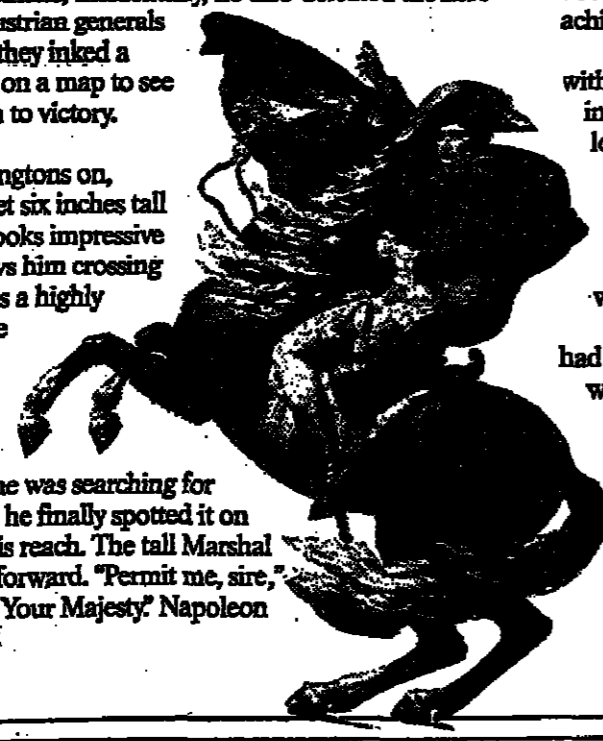
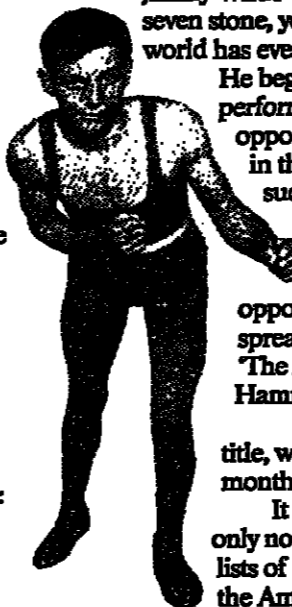
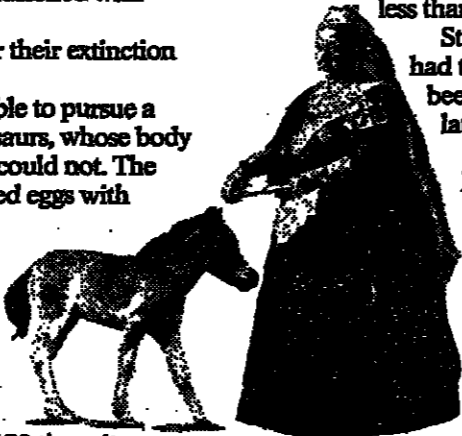
The PC AX2 is fully PC- and AT-compatible. It comes ready to work with any type of monitor and graphics software that you choose, and it can be expanded almost without limit — so there is no danger of it ever becoming extinct.

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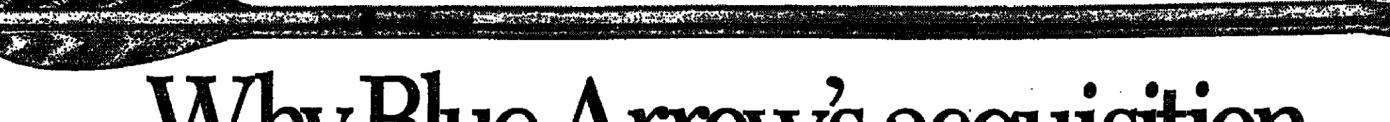
Yet for all this, the PC AX2 costs only £1699 (RRP exc. VAT), which certainly won't leave you short.

For more information, either: write to Epson (U.K.) Limited, Freeport, Birmingham B37 5BR; call up Prestel *280#; or ring 0800 289622 free of charge.

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THE ARTS

Cinema/Ann Totterdell

Plenty of meat but not much to chew on

Angel Heart directed by Alan Parker

La Dolce Vita directed by Federico Fellini

It is not giving much away to reveal the identity of private eye Harold Angel. Just say his name—Louis Cyphre—aloud, and note his long pointed finger nails and his anxiety to straighten out some ambiguous long-standing contract with a vanished crooner. Why the devil he cannot find the missing Johnny Favorite himself when surely he knows everything is puzzling but no doubt he is a busy man who needs someone to do his leg work for him. And who could resist hiring someone called Angel (Mickey Rourke) to find the missing Johnny?

It is not long before Angel establishes that Favorite is a satirist of extensive power who went missing twelve years previously after losing his memory as a result of a wartime injury. Though everyone swears that Johnny is dead the omniscient Cyphre (Robert de Niro) is convinced that he is not.

But hark, nobody sings to Harold Angel, or at least never in sufficient detail, because every time he gets a lead his source is violently murdered.

Would a satirist with amnesia retain his evil inclinations—would he still deliberately seek out evil or be drawn back to it subconsciously? If the film has a central question that must be it, but Angel Heart is not a film that is strong on ideas or emotions. It is a powerful detective story but though there is physical meat in plenty there

still is not much to get your teeth into.

Like all director/writer Alan Parker's films it is technically excellent. Deliberately removing all primary colours he has set out to make a black and white film in colour and in forced post-war New York with a vibrant atmosphere. The removal of the action to New Orleans is a revelation of intimidatingly seedy locations—a witch's cluttered apartment, a voodoo priestess's shanty home, cheap hotels and cheaper bars. And Parker's casting is impeccable—de Niro is naturally, even smoother and more intimidating than he was as Capone in *The Untouchables*, and Mickey Rourke was born to play a shabby gumshoe; Charlotte Rampling as an upper class witch and Lisa Bonet as the young priestess are impressive in challenging women's roles.

The intrigues of the story are strong enough to grab you by the throat and mesmerise you for every shuddering blood-soaked minute, but the test of a film is not just how it grips you in the cinema but how you feel about it an hour, or a day, or a week afterwards.

If the film has a point it must be that we cannot repress the evil in our natures for ever, even if we have forgotten it. But even this point is almost lost, so neatly it is bound up in a conclusion so symmetrical, so perfect in its circularity that it is in danger of disappearing up its own beautifully designed image promptly dispelled by a second helicopter containing the film's journalist hero, Marcello (Marcello Mastroianni) and a photographer who, in spite of being airborne, attempt



Mickey Rourke in "Angel Heart"

to chat up four bikini-clad women sunbathing on a rooftop. "It's Christ," the women say, as if he flies past every day.

La Dolce Vita is a work that has been absorbed into our culture as a symbol of a world away from drabness and restraint, a world, it was thought—mostly by people who had

never seen the film—to be decadent and provocative.

But Fellini had his finger on the world's pulse; his aimless little cast of characters are not very shocking now but their attitude and boredom, their triviality bordering on despair, is easier to identify with now than it was when the film was made in 1959.

Seven days and nights in the life of Marcello and the Roman aristocrats, celebrities and hangers-on who make his livelihood. If Marcello did not write about these people they would still exist, but would he? It seems a matter of uncertainty for him because in spite of his intellectual pretensions he still clings to his intrusive life as a gossip columnist.

Italy with its chaotic political life and social problems takes shape in the life of Marcello and gives us a foretaste of the world to come. If anyone were foolish enough to remake *La Dolce Vita* today they could be more explicit, but they could not heighten the sense of tedium, the intangible burden, that Marcello carries.

Released with an immaculate print the film (in black and white with subtitles) is fresh and probably less dated than it would have seemed 10 years ago in both mood and look. Those suits, those sunglasses, those perfectly groomed women look quite at home in the 'eighties. Not that, these days, many people would dance in a fountain in their designer evening clothes as Marcello and a scanty film star (Anita Ekberg) do.

The 12th Gdansk/Gdynia Festival of Polish films

If nothing else, the 12th Gdansk/Gdynia Festival of Polish Feature Films (formerly in Gdansk, presently in Gdynia) in September effectively demonstrated the resilience of a severely hampered, yet still vibrant, national cinema. Following that fatal imposition of martial law in December 1981, not even the most optimistic of critical observers would have given Wajda, Zanussi & Co a chance to bounce back into the spotlight on the world festival scene—particularly since Wajda's own "X" film unit had been unceremoniously wiped out by the Polish film authorities, while Zanussi has been spending only weekends at home as he continues to beat the bushes for production support abroad.

Yet two factors have worked in Polish cinema's favour over the past five years. One was the

rich storehouse of pre-1982 productions which, one by one, have now come off the shelf to amaze and delight—some even winning prizes in the Polish Underground (the forbidden video cassette market) or a coveted FIPRESCI (International Critics) award at an international festival. The other was the strong "second team" of directors who stayed at home—among them Krzysztof Kieslowski, Feliks Falk and Jerzy Domaradzki—who have managed to cooperate with the film ministry on subject matter for new projects while working energetically behind the scenes for the release of previously shelved productions.

Gdansk/Gdynia '87 aptly illustrated how both converged to make this the most memorable Polish festival since 1981. Further, the move from a stuffy, inadequate union hall

(500 seats) in Gdansk to a new, comfortable music auditorium (800 seats) in Gdynia offers the administration great possibilities to develop this modest national film event.

Five previously shelved films formed the nucleus of the festival: Wieslaw Saniewski's *Free Lance* (1981), Krzysztof Kieslowski's *Blind Chance* (1982) a Cannes entry in the Directors' Fortnight section, Janusz Zaorski's *Mother of Kings* (1982), Tadeusz Chmielewski's *The Faithful River* (1982), and Robert Glinki's *Sunday Pranks* (1983).

Of all these films, *Free Lance* and *Blind Chance* were the two that caught some of the heady atmosphere of the surge towards Solidarity. Saniewski's "freelancer" is a journalist bent on exposing regardless of the moral implications, an administrative cover up of a factory accident. Kieslowski's

student, by contrast, finds himself at a crossroads in life, when the "chance" of catching a train as it pulls out of the station will seemingly determine his future. Both films end on the note of a strike in the distance—somewhere in Gdansk in August 1980.

Janusz Zaorski's *Mother of Kings* deservedly won the Grand Prix. Based on a novella by Kazimierz Brandys penned shortly after Stalin's death, both Andrzej Wajda and Andrzej Munk were originally attracted to the material, while Zaorski drafted his script in his student days at the Lodz Film Academy. He had only to pull it out of the drawer, it is said, to receive the backing of Wajda's "X" film unit—and was half way through the shooting when the curtain fell. Thereafter, although the film was completed, the fact that it circulated on video cassette in the Underground meant that only mitigating circumstances—like the General Amnesty in Poland—would permit its general release.

Mother of Kings is the study of a mother's sufferings. On the death of her husband in 1939, Mother Krol is left with the task of raising four sons, barely escaping death herself under the Nazis during the Occupation. On Stalin's death, her lingering hope is that her wrongly imprisoned son (who is also a survivor of Auschwitz) will be included in the general amnesty. Lensed in black-and-white, the narrative interspersed with newsreel documentary footage, one of its saving graces is the absence of such questionable modern amenities as a zoom-in close-up. Indeed, *Mother of Kings* is a timeless ode to the poignant humanity of postwar Italian Neo-realism.

As for the other two deferred releases, Tadeusz Chmielewski's *The Faithful River* (based on

Stefan Zeromski's classic dealing with the January Uprising of 1918) remains innocent melodramatic film fare with or without the reference to oppression under the Cossacks. And Robert Glinki's *Sunday Pranks* scores primarily as an experimental treatise—albeit by an obviously gifted director—on children playing ominous grown-up games on that fatal Sunday in 1938 when the funeral obsequies were being paid to the Great Man Stalin.

Compared with these "late entries," the rest of the show paled so far as timely critical comment was concerned. Nevertheless, Filip Bajon's six-part, six-hour TV-serial, *The Magnate* (the English title is *The White Visiting Card*), a Polish-German co-production, recounts in plain historical fashion the downfall of a princely German mining family in Silesia from the turn-of-the-century to the end of World War II. The truncated version was shown at Gdynia (180 minutes back and forth through a time machine), but enough rubbed off in images to rate this as a kind of Polish breakthrough into the current "famous chronicles" portfolio for European television.

Finally, Stanislaw Rozewicz's *Angel in the Boardroom* appears to be little more than a stylistic exercise by one of Poland's veteran directors, the theme of which is the middle-aged crisis of a movie soundman; but these recorded bits-and-pieces can be fitted into a mosaic on the status of contemporary Polish life. One moment is particularly revealing. When the soundman suggests to the director of the film-within-the-film to shoot a scene over, the latter confesses to him that it is impossible: "We've run out of film, and besides tomorrow we'll lose the sound-camera too!"

Ronald Holloway

London Philharmonic/Festival Hall

David Murray

Since the main work in Wednesday's LPO concert was Bruckner's Symphony No. 7, the preceding 5.55 pm recital in the perennial South Bank organ series was aptly devoted to Austrian organ music from Johann Kaspar Kerll (high Baroque) to Rainer Bischof (flashy 13-note). The Viennese organist Martin Hasselböck took maximal advantage of the colourful noises the Festival Hall instrument can make, not only in three of Kerll's disarming pictorial exercises (including *Lusty battle-piece*) and Bischof's new Cadenza for Organ, but in his own improvisation on a Kenneth Leighton theme and in five of the charming miniatures Hayden wrote for musical clocks.

More substantial than any of those was Mozart's C minor Adagio and Fugue—not origi-

nally an organ piece, but transcribed for a virtuoso performer: the fugue-subject alone requires slalom style footwork. Hasselböck also gave us Franz Schmidt's big Toccata, phrased too lightly at the start to capture Schmidt's warm, sturdy tone but developed with expert confidence. His clever waywardness with Kerll's innocent lines was what stayed in the mind.

The London Philharmonic concert was another of the Tennstedt programmes, which have had to be assigned to other conductors, this time Hans Vonk. The opening Prelude and Liebestod was unpromising; smoothly routine, without the least subtlety in detail, and much too loud too often (Wagner marked nothing in the Liebestod higher than *forte*, at the cost of his over-parted soprano, Rosalind Flwright

sang with plain good intentions, but her timbre never had sufficient depth or body for the music.

One had to respect Vonk's evident affection for Bruckner's score, but it inspired nothing more than a moderate canter through the Symphony. The LPO, in fine professional form, sounded ready to respond to any imaginative demands, but none were made. Vonk never allowed a pause for thought; the thing simply ran on, as if he had an unstoppable metronome in his head and could not relent for the arrival of any new idea. I think that was what used to be meant by the epithet "Kapellmeister," though many a Kapellmeister would have avoided the nasty strictness of Vonk's climaxes, which in the Finale approached the pain threshold.

The Prospero Suite/Everyman, Cheltenham

Michael Coveney

New plays are increasingly rare on the main stages of our regional theatres, but all hurray for the beautifully refurbished Cheltenham Everyman. Freeze on the lips when confronted with this unadorned stunner by Warner Brown.

An English film director, Roland Bannion, has returned to the New York hotel where, 15 years ago, his film about Lorenzo de Medici, "Boy," was slaughtered in a Critics' Week. That allegedly visionary work has been followed, after a long silence, by an applauded pot-boiler. Bannion is to address the same audience and has taken up residence in the Prospero Suite which, according to Chris Crosswell's monumental grey design, is a chill mausoleum well suited to the director's pompously intoned visionary view of himself.

The Medici film was also the baby of his long-suffering secretary Annie (Diana Payan) whose definition of the new work "Priceless," "a tasteless load of junk" defies an unlikely critical cabal of Vincent Canby, Rex Reed and Pauline Kael. That mob is represented on stage by a Rosalind Russell-style showbiz hack called Judy who has made amends for rubbishing "Boy" by reactivating Bannion's artistic and sexual muscles. She and Annie lock horns while other interested parties—the director's mother, his niece who runs the hotel, his bespectacled young protegee—stand around in attitudes of hourly dumb attendance.

Unable to convince us of Bannion's Blakean fervour and entitlement to our sympathy, Mr Brown resorts to the worst kind of showbiz buffery, cramming the stage with thudding clichés, arch exit lines, endless references to Bette Davis, a phoney murder plot, painfully contrived dialogue, a Hollywood take-over bid by the mother and if you please, a manifesto for all budding critics to encourage and promote what they see regardless of considerations as to merit or otherwise.

Unimpressed by this clumsily incorporated appeal to what remains of my good nature, I

should add that John Doyle's production casts a silver-haired, silver-voiced actor, James Greene, as a director who is a vaguely rumpled version of David Lean and also, and less fortunately, old enough to be his own mother's father.

Mother is played by that treasured survivor of the Brian Rix farces, Hazel Douglas, while Beth Ellis, a flame-haired comedienne of some consequence, tries to compensate for the understandable lack of sparkle in the portrait of a reformed, well-intentioned critic, by clothing herself in suits of hideous brightness.



James Greene and Hazel Douglas

The Still Point/Book Review

Clement Crisp

Some time ago, Mary Clarke and I were asked to write a book about the way Western theatrical dancing had been represented by painters and sculptors. We spent an illuminating year collecting material for what was eventually to become *Dancing in Art*, which did not pretend to do more than sketch the surface of its subject, but which we hoped might give some indication of dancing's fascination for the artist. An incidental fact of the exercise was that we found ourselves faced with the general awfulness of the representations of ballet in the latter part of this century.

There were various practitioners who supplied an evergreen market with dubious merchandise. I had to be convinced that one purveyor did not use dog confections for his repellent statuettes—but hardly anyone who could reveal the frame and musculature that

lie at the basis of dancing. It is the camera which now tells us about the mysteries of movement as Degas once did, and with rare exceptions (I think of Brian Organs' portrait of Nadia Nerina; Pavel Tchelichev's studies of Lifar; Paul Cadmus' drawings from the ballet studio) most dance art is a miserable affairing to the good name of sculpture, painting and drawing.

And as if to prove the point, there has appeared *The Still Point*, published by the winsomely named Jolly Good Production Company at £120 which is a collection of laborious drawings by Betti Franceschi or anatomical bits, under the guise of being "Insiders from Dancers' Bodies." There is a delicate sense of propriety in all this since the owners of the various breasts, backs, buttocks and pudenda on view are not identified. And Miss Franceschi does not essay any face. Or feet. Her drawing technique is of the heavy shading variety—I would

recommend the book only to voyeurs of the heavy breathing variety—and, with a super-realistic gusto, she carefully delineates her chosen portions of the male and female frame (chiefly female, though I'm puzzled by one pair of androgynous breasts). There are tasteful highlights in the drawing, wrinkles and the like possibly of the female face and the general impression that we have been made privy to the key-hole of a corps de ballet's dressing room.

The purpose of the tome, which is large in format and printed on very good paper, defeats me. Miss Franceschi provides an introduction which burbles on about the dancer's "center" and tells us "As a boy's energy builds, his center turns on like a dynamo. He takes hold of it and knows himself to be a man." Portentous, more than a little naïf, the prose is a very female reflection of the finicky naturalism of the drawings.

Arts Week

Continued from Page 22

Music

PARIS

Scottish Chamber Orchestra conducted by Wilfried Boettcher, Ronald Brautigam, piano, Hakan Hardenberger, trumpet, Haydn, Mozart (Mon), Tchaikovsky (Tue), Orchestre National du Capitole de Toulouse conducted by Michel Plasson; Albert Roussel (Tue), Sallé Playel (4561 0630).

Paul Kneass choir from Paris and Beate Mandelblat, Elias (Tue), Saint-Severin Church (4583 7655), Saint-Sauveur Requiem sung by the Roland de Lassus choir with the Orchestre Français d'Oratorio conducted by Jean-Pierre Loe (Tue), Saint-Roch Church (4561 8326).

NETHERLANDS

Amsterdam, Concertgebouw, Antoni Ros-Méndez conducting the Netherlands Philharmonic with Alexander Rudin, cello; Mozart, Haydn, Schubert (Mon, Tue), (71 63 45).

Rotterdam, Doelen, Recital Hall: 17th-century vocal and instrumental music (Mon), Glen Wilson and Stanley Hoogland, fortepiano quatuor-mains (Mon, Tue), (412 2499).

Eindhoven, Schouwburg, Radio Wind Ensemble; Dvorák, Janacek, Martinu (Wed), (11 11 22).

LONDON

English Chamber Orchestra conducted by Sir Alexander Gibson and Leeds piano competition winner, with Christian Steele-Parkin, trumpet, Mozart and Haydn, Barbican Hall (Tue), (630 8881).

Academy of St. Martin-in-the-Fields conducted by Sir Neville Marriner with Arleen Auger, soprano and

Keith Lewis, tenor, Haydn and Mozart, Royal Festival Hall (Tue), (828 3191).

LONDON PHILHARMONIC

conducted by Klaus Tennstedt with Rosalind Flwright, soprano, Wagner and Bruckner, Royal Festival Hall (Wed).

TOKYO

NRK Symphony Orchestra, piano, Christoph Eschenbach and Tzimon Barai, cello; Brahms, Beethoven, Yamaha's Arthur Rubinstein Centennial Concert, Hitomi Memorial Hall, Showa Women's College, Sang-enjaya (Mon), (572 3141).

The Tokyo String Quartet with Hiroko Nakamura, Haydn, Dvořák, Suntory Hall (Tue), (235 1881).

NEW YORK

Caracas Hall: Tonkünstler Orchestra of Vienna, Alfred Eschwe conducting, Gail Dobish soprano, Manfred Geyrhaltzer violin, Raphael Flleder cello, Mozart, Beethoven, Weber, Haydn, Johann Strauss, Josef Strauss (Thur), (247 7800).

Merkin Hall (Goodman House): New York Woodwind Quintet, Mozart, John Harbison, Malcolm Forsythe, Janacek (Tue); Kurt Weill Festival with the St. Luke's Chamber Ensemble conducted by Julius Rudel (Wed), 67th w. of Broadway (382 8719).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting, Toch, Mozart, Berlioz (Tue); Catherine Cornet conducting, Alexis Weissenberg piano, Bernstein, Elgar, Beethoven (Thur), Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Sir Georg Solti conducting, Joseph Golán violin, Bartók, Elgar (Thur), (485 8111).

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Friday October 2 1987

Leadership in Japan

FIVE YEARS ago, many of Japan's friends in the West thought and wrote that Mr Toshio Komoto, then Minister of Economic Planning, should become Prime Minister. The world was still in recession, a fact which had appeared to elude the attention of Mr Zenko Suzuki, the outgoing leader, and most of the Japanese establishment, including Mr Komoto, was arguing that Japan should expand more vigorously, in part to contribute to international recovery. The alternatives appeared to be an unimpressive and unfamiliar set of introspective conservatives, one of whom was Mr Yasuhiro Nakasone.

The same tendency is apparent today, as five remarkable years under Mr Nakasone's direction draw to a close. The obvious solution is to tempt to suggest from the outside—that Mr Nakasone, whom the world has come to know and admire, stay on, but the chances of this happening are so remote as to be unworthy of speculation or advice. If his influence survives behind closed doors, then so much the better, but the Japanese perception, which is what counts most, is that the time has come for a change at the helm.

The favoured external candidate this time, Mr Kiichi Miyazawa, the Finance Minister, is internationally minded and does have expansionist inclinations, still unusual attributes among Japanese politicians. His main rivals, Mr Noboru Takeshita and Mr Shintaro Abe, have held important portfolios in Finance and Foreign Affairs respectively, but made little impact on them, and their views on subjects other than internal Japanese politics are not well known.

Financial liberalisation

But it would be wrong to invest too much significance in the individual who emerges at the top. It may seem strange to say this after so successful a tenure as that of Mr Nakasone, but it can never be forgotten that there is a collegial nature to the government of Japan that still transcends, for the most part, the role of all but the most exceptional individuals. Had the Japanese establishment remained static in form and ideas over the last five years, there would be good reason for concern at the departure of a man capable, at times of dragging it with him. But it is not the least of Mr Nakasone's achievements

that he has encouraged the growth of some creative and outward-looking thinking in what had been an essentially self-contained system.

It is important that this momentum be maintained, and there is good reason to suppose it will be. The debate over financial liberalisation, for example, is no longer over the principle for too much has been achieved to go back, but over the fine print of its details and pace. The inventiveness with which much of the Japanese industry has absorbed and adapted to the shock of the high yen can only be described as impressive. Real winds of change have swept through the Japanese bureaucracy, including some of its darker recesses. There is a new found assertiveness in the attitudes of the Japanese government that should be welcomed in international debate.

Internal balances

There is, of course, much still to be done, and the progress desired by the West is bound to be uneven. The Japanese political system, unbalanced in favour of rural areas, is still mostly run by well-oiled machines, with defined domestic constituencies. It is unrealistic, therefore, to expect Japan at a stroke to expose its agricultural sector to the full force of international competition. Equally, the Japanese are perfectly well that the astronomical price of land inhibits economic and social policy-making, but cutting through the labyrinth of entrenched interests is going to require patience as well as perseverance. This, in turn, means that Japan's friends will need sometimes to exercise restraint in their demands for change. Smashing radios on the lawns of Washington is not conducive to the process.

It may well be that the best man to continue Mr Nakasone's work is one thoroughly versed in the intricacies and delicate internal balances of the Japanese system. This is why Mr Takeshita, generally reckoned to have the most complete understanding, now stands as favourite. Yet it is a Japanese choice and the Japanese must be given credit for knowing their people best. There were, after all, good internal reasons for not choosing Komoto five years ago, and the product was Mr Nakasone, for whom there is cause for thanks.

Priorities for City rules

A NEW TEAM of ministers at Britain's Department of Trade and Industry is suddenly under intense pressure from the City of London to soften the impact of the Government's own Financial Services Act. That was only to be expected: the switch from self-regulation and club rule to practitioner-based regulation within a statutory framework was bound to be painful for most of those involved. But the starting date for the Financial Services Act, which will implement the new system, has already been deferred once and City interests were closely consulted throughout the passage of the bill. It seems highly questionable whether this is the moment to slow the impetus towards a full system of investor protection.

That is not to say that the City's criticisms are wholly without foundation. The draft rule book of the Securities and Investments Board (SIB), the City's new watchdog, is unquestionably cumbersome and legalistic. So, too, are those emerging from the Self-Regulating Organisations (SROs) in the City, which the SIB is shortly expected to recognise. And there is not much doubt that some members of the SIB's staff have erred on the side of bureaucracy in their examination of the SROs' rule books, whereby they seek to establish whether the rules provide an equivalent standard of protection to those of the SIB. It has become clear in the course of the summer that the new system is not working quite as originally intended or as the City had hoped.

Legalistic rules

Much of the problem stems from section 62 of the new act. This gives individual investors the right to sue if they have lost money as a result of a breach of the rules. In consequence, the SIB and the SROs have been obliged to frame their rule books in a legalistic way because each rule potentially exposes practitioners to legal liability. Hence the incomprehensibility of many of the rules. Hence, too, an appeal this week by the chairman of the Securities Association, the SRO for the Eurobond markets and the domestic stock market, for some delay in implementing the section. If the new system

then worked adequately, runs the argument, there would be no need to move to a more legalistic system redolent of the US.

The problem here is that section 62 constitutes the chief means of enforcing the provisions of the act. It also represents an attempt to codify forms of protection that already exist for investors in common law. And it is hard to see how implementation could be deferred without provoking a monumental political row. If the law was regarded as necessary by the Government before the general election, failure to push it through now would invite accusations of a cynical sell-out to the City, while raising complex issues of legal policy. So what else could Lord Young, the Trade and Industry Secretary, reasonably do?

City concern

His initial response to City complaints has been to rally to the support of the SIB, while simultaneously reassuring market practitioners that he expects the SIB and the SROs to operate with all the flexibility that the act permits. He has also pledged no further delay on the implementation of the new system. All of this makes sense, as does the more conciliatory stance that is becoming apparent at the SIB. At this stage it would be fatal to undermine the SIB's authority or for the atmosphere to be soured by further acrimonious argument.

But there is still some question in Whitehall about whether City concern over section 62 could be allayed by deferring some of the more contentious parts of the new rule books which seem most likely to give rise to litigation. Yet in practice most of the issues they are still giving rise to difficulty, such as capital adequacy and the treatment of clients' money in the securities and futures markets, are not the ones where the threat of legal action is the problem.

At this late stage the priority should be to continue along the lines already proposed by Lord Young and to put the system into operation as soon as possible. It should then be subjected to frequent and pragmatic review to ensure that adequate investor protection is not incompatible with flexible market practice.

MR NIGEL LAWSON, Britain's Chancellor, advocates a permanent shift to a system of managed exchange rates. Mr James Baker, the US Treasury Secretary, suggests that the gold price should be included in a new indicator of inflationary pressures in the world economy.

There is clearly something happening in international economic policy-making. If nothing else, their two speeches at the International Monetary Fund this week underlined a decisive break with the regime of free-floating exchange rates which replaced the fixed-rate Bretton Woods system in the early 1970s.

Both seem determined that the Plaza accord of September 1985 and the subsequent Louvre agreement earlier this year should be more than brief episodes in economic history. Instead, the concerted move first to devalue and then to stabilise the dollar should provide the basis for a new international monetary system. The actual shape of that system is much harder.

Mr Baker's decision to single out gold for inclusion in a basket of commodities which might be used by policymakers as a guide to future price trends appeared deliberately ambiguous. Only in a subsequent background briefing for American journalists was he prepared to rule out a return to the gold standard.

Mr Lawson's detailed blueprint for a new world order, meanwhile, has yet to convince the Bank of England, let alone the more independently minded Japanese and West German. The joint commitment by the Group of Seven industrial nations to the ad hoc system of exchange rate management now in place is not in question. For now the two latest proposals are only ideas on the table. They will be considered alongside France's longstanding call for a system of currency reference points, based on national economic performance indicators, and alongside West Germany's preference for continued pragmatism in managing the present regime.

There was also the whiff of political opportunism. Mr Baker can justly claim to have been the driving force behind closer international exchange rate co-operation. The Plaza accord came at his initiative, and he set the subsequent pace towards a more formal framework for policy co-ordination.

The consensus in Washington, however, is that Mr Baker's priority now is the election of Vice-President Bush in the November 1988 presidential election. Economic stability, and more specifically avoiding a sharp rise in US interest rates, is seen as one of the key

AFTER THE First World War, there was a widespread return to the gold standard, in which a country's currency was tradeable for gold at an official price. By the mid-1920s, the US, Germany, Britain and 39 other countries had returned to the standard at its pre-war parity, in spite of arguments from economists like Keynes that gold was overvalued. The system was designed to promote stability and curb inflation. In 1931, however, a financial panic led to serious runs on currencies. The Bank of England suspended its obligation to sell gold on September 21. A further 32 countries then abandoned the gold standard.

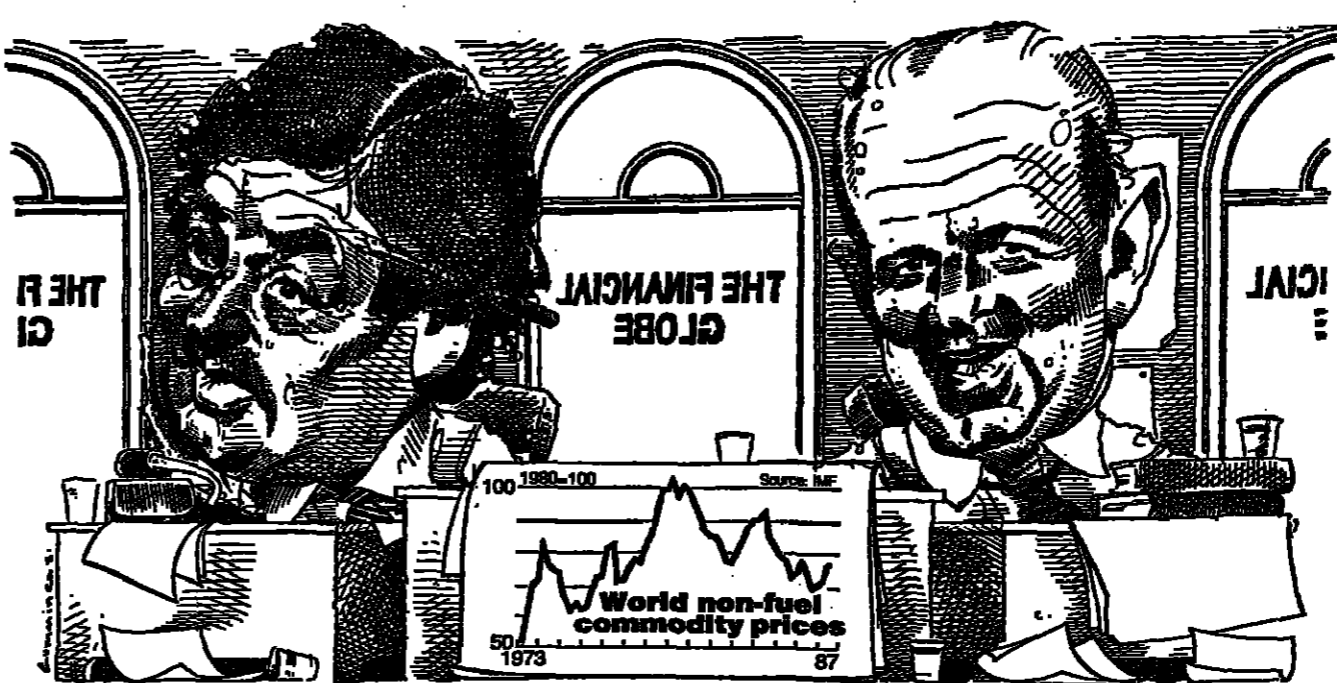
The remaining gold bloc countries went off the gold standard. A tripartite monetary agreement between the US, France and Britain (later joined by Belgium, Holland and Switzerland) established the principle of currency stability and the need for co-operation in a managed exchange rate system.

1944: Delegates from 44 nations met at Bretton Woods, New Hampshire. They set up the International Monetary Fund and the World Bank, with three

main objectives: a multilateral system of payments based on a worldwide inter-tradeability of currencies to be achieved through the elimination of exchange controls; reasonable stability of exchange rates; full employment as a policy goal. Each member country established a par value for its currency fixed either in terms of gold or of the dollar, pegged within a range 1 per cent above and below par value.

1949: 28 countries devalued their currencies by substantial amounts against the dollar.

The Baker-Lawson currency initiative



Almost a meeting of minds

In February would be the foundation for a new system of "managed floating." Each currency would have a central rate within the bands, which could be moved to establish a new range if governments agreed an adjustment was needed. But to limit speculative gains in the markets, the new band would be based on a central rate set within the limits of the previous range.

The bands, Mr Lawson said, would be underpinned by a broad policy framework aimed at ensuring the overall policy stance of the Group of Seven had neither a persistent inflationary nor a deflationary bias. The focus of the economic performance indicators which finance ministers have been using as the basis for co-ordination would switch from

national to aggregate targets for the group.

These targets in turn would represent a framework for policy in terms of either a path for output growth in the group as a whole or one for the average inflation rate.

Performance against the targets would be monitored using a range of economic indicators, including the trend of world commodity prices. It is on this latter point that the British ideas chime with those of Mr Baker.

The shared view is that governments need to establish an overall anchor for inflationary expectations by the recent breakdown of credible policies to control inflation by regulating the money supply.

Unfortunately, stable exchange rates provide no guarantee against a general upsurge in inflation, as became evident in the late 1960s, when accelerating prices in the US contributed to the fracturing of the fixed rate system.

The attraction of a commodity price indicator is that it might persuade financial markets that a return to managed exchange rates was not being pursued at the expense of anti-inflation policies.

In the US, the idea of creating an index based on a basket of commodities to provide such an early warning system has been championed by Mr Robert Heller, governor of the US Federal Reserve.

Mr Baker's comments at the IMF bear an uncanny resemblance to a speech given by Mr Heller in March of this year. Although governments would have to make allowances for special circumstances, such as bad harvests, the general rule would be simple. In times of rising commodity prices, monetary policy would be tightened and in times of falling prices policy could be loosened.

And while in Europe, gold is regarded as something of a relic, the US view is that the metal's price can still provide a good leading indicator of price pressures.

The perception that some new anchor is needed for inflationary expectations has been reinforced by the recent strong upward trend in long-term interest rates.

That rise has been based on the markets' view that inflation may now be on a sustained upward trend. It is a view not

shared by most governments, but one that could force central banks to tighten policy at a time when prospects for economic growth are already lacklustre.

But if the global targeting implied by Mr Baker and developed by Mr Lawson has immediate attractions, it also begs a whole range of questions. A series of agreed indicators for the Group of Seven as a whole would say nothing about the relative responsibilities of each country in meeting them.

That, as the experience of the past two years has shown, is the most intractable problem facing policymakers.

It is a desire to highlight those relative responsibilities that has been the driving force behind Mr Baker's determination to establish a system of national indicators—and behind West Germany and Japan's determination to ensure that those indicators carry no automatic obligations.

More fundamentally, Mr Lawson may have been premature in suggesting that the present pattern of exchange rates will provide a durable basis for a more permanent system.

His view that the dollar's decline since 1985 is more or less sufficient to reduce the US trade deficit and the parallel surpluses in Japan and West Germany to sustainable levels is far from universally shared.

The Chancellor emphasises the point that "there is no law that dictates that the current accounts of the major industrial countries should always be in balance." The problem is that the scale of the imbalances currently in prospect for the 1990s hardly look sustainable.

Confidential IMF predictions suggest that on the basis of present exchange rates and unchanged policies in the major economies, the US current account deficit could still amount to \$150bn in 1991.

That would imply a build-up in the US external debt which the IMF believes would be unacceptable to financial markets—the result, it concludes, might be a further 15 to 20 per cent devaluation of the dollar.

Even with additional shifts in policy towards cutting the US deficit and strengthening economic growth outside the US, the IMF believes a further stable dollar depreciation will be necessary.

Whether that could be accomplished by period to small adjustments within agreed bands, or whether the markets may yet force it at a much more rapid pace is a much more open question than either Mr Lawson or Mr Baker admits.

Philip Stephens

A troubled history of snakes and snares

1967: uncertainty with the Vietnam war in the background led to a worldwide shortage in gold as private demand for it surged.

1972: The London gold market closed and a two-tier price system for gold was ushered in with both an official price and a market price.

1971: The US suspended the gold convertibility of the dollar. In December, the so-called Smithsonian agreement saw a 7.9 per cent devaluation of the dollar and an experiment in which major currencies were

fixed against a non-convertible dollar within wider margins. The parties only held until early 1973.

maintain stable exchange rates among members and float freely against the dollar.

Western suits in Peking

When the Chinese communist party threw an annual banquet for diplomats and journalists in the great hall of the people, Peking this week the event was surely a victory for the country's reformers.

Western suits heavily outnumbered the Mao suits favoured by the "conservative" communists.

China's premier, Zhao Ziyang, has attempted to play down the significance of fashion in Chinese politics. He told an American journalist that he has never been criticised for wearing western suits. He did confess, however, that he would prefer a suit without a "frog" which he finds "uncomfortable".

The premier was the star of the show at the party, and shortly after completing a speech calling for an expansion of the reform programme, he was mobbed by Chinese and foreign photographers and lost in a western-style media crush. However, our man in Peking reports that most of the senior Communist press proved coy when they were confronted by journalists. Li Peng, a vice-premier tipped to be the next premier, was asked what would happen at a major congress of the party later this month. He simply smiled knowingly and said: "We will perfect the socialist planned commodity economy."

Some of the ambassadors among the guests were embarrassingly eager to meet their favourite party persons. They feigned nonchalance, and gave non-committal diplomatic glances whenever a Chinese leader came their way. But they did position themselves so that he would be either the first to bump into or offer a toast. Protocol demanded the latter.

The revellers included General Yu Qiu, who at 74, is a Long March veteran and one of the few uniformed men remaining in the politburo. When asked if he would retire at the next congress, the general said, "I want to retire but I don't know whether the party will let me."

It is clear that he and the few

Men and Matters

other long-marchers who are still trudging the political road will not give up easily. The general went on to say, "You can't measure age in years. If a man has energy and a quick wit you can't make him retire."

So there.

Brief encounter

London solicitors are speeding up their attempts to adjust to a changing world.

Following a meeting between two leading London law firms, Lovell, White and King, and Durrant Piesse, this week, another major London law firm, Nabarro Nathanson, has appointed a professional manager.

Dr John Hooper, formerly chief executive of the chartered institute of building, yesterday became chief executive at Nabarro Nathanson. He has been given overall responsibility for the direction and management of all support services to the practice.

Jeffrey Greenwood, Nabarro's senior partner, says they see the appointment as a significant step forward in the firm's development. It will free the partners to concentrate on the legal work.

Hooper's previous management experience has included jobs with Glaxo and the Open University.

Aiming low

Professor Eric Ash, rector of Imperial College, London, last night poked gentle fun at the government's attempts to restructure funding for British science as a way to get greater economic benefits.

fully wrong," he went on in a text which drew its inspiration from Swift's Gulliver's Travels.

Ash, an electronics man and head of one of Britain's biggest research institutions, is all for scrutinising the scientific disciplines to sort out those most likely to lead to fruitful application. He acknowledges that political criticism of the academic community for failing to make best use of scientific resources has some justification.

As he sees it the true situation in research is rather like parenthood — impossible to get right. "All you can hope for is not to get it too terribly wrong."

Outside the net

Soon after Salvador Laurel was sworn in as vice-president to president Corason Aquino of the Philippines 19 months ago, he began to complain that he was being "left outside the mosquito net" — a fate that Filipino wives usually reserve for erring or drunken husbands.

The marriage of convenience that was reluctantly joined to fight former president Ferdinand Marcos, has now been dissolved.

That leaves Laurel in the unusual position of being an elected vice-president in open revolt against the elected president.

His first attempt to embarrass the government, however, has fallen flat. Laurel has loudly trumpeted that he has a report prepared by Philippine intelligence chiefs, showing that there are "communists" in the government.

But Mrs Aquino has told Laurel, in effect, that the report is a figment of his imagination. Now Laurel has watered down his accusations. The government is no longer harbouring "Communists," but

Spanish major

A new Spanish oil giant gushes into the European stage this week.

Repsol, which has instantly become the nation's largest industrial group, has risen from the former INH state-owned Spanish energy group. It boasts a turnover of \$7bn, and has a staff of 19,000. It is calculated to be the seventh-largest European oil company.

The man who will be leading Spain's answer to the majors is Oscar Panjuel, aged 38. He has swapped the life of an academic for the trials of being an industrialist. He has been given leave of absence from his duties as professor of economics at the Independent University of Madrid.

One quality the new chairman will not lack is stamina. In his early days he was a marathon runner, though jogging is all he now has time for.

Sure verdict

Another putdown I'm afraid for that promising playwright Jeffrey Archer and his new play, Beyond Reasonable Doubt.

The following exchange was overheard the other day at a Thames Television lunch to announce the winner of its young playwright scheme — an affair presided over by John Mortimer, the barrister who created Rumpole of the Bailey. The literary man from The Times said he should have got John Mortimer to review Beyond Reasonable Doubt.

"Someone should have got John Mortimer to write it," replied the literary man from The Guardian.

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Observer

Politics Today: Labour at Brighton

Waiting for the country to turn conservative

By Malcolm Rutherford

THE BRITISH Labour Party is well on the way to becoming the British conservative party with small letters.

That is the best way of explaining the extraordinarily quiet and subdued conference that ends in Brighton today. It is true that there have been scuffles on the sidelines and sometimes even in the main hall. But they have been as nothing compared to the disputes of previous years.

One reason for the relative decorum is that Labour seems to have watched with fascination the Social Democratic Party apparently tearing itself apart throughout the summer. It was a salutary lesson. Labour was determined not to behave like that. It has also been encouraged to believe that the threat of a third force in British politics is receding.

A deeper reason, however, is that the party as a whole now fully accepts the size of its defeat in the general election last June. It was devastating. The best that can be said about it is that Labour won the chance to fight again. As Mr Bryan Gould, one of the busiest of the conference performers admitted, if it lasted a fourth time, the very future of the party will be in doubt.

It is no good Labour piling up votes in Scotland and the north of England. It is the failure in the south which has been noted and which illustrates the lengths of the road back.

From this two consequences have flowed. The first is that the party must come to terms with its defeat and the second is that it must accept that many of the changes introduced by Mrs Thatcher in the past eight years are here to stay.

Probably the most memorable quote of the conference came from Mr Neil Kinnock, the party leader, himself quoting Mr Ron Todd, the general secretary of the Transport and General Workers' Union.

"What," Mr Todd had asked, "do you say to a dock worker who earns £400 a week, owns his own house, a new car, microwave and video, as well as a small place near Marble?"

"You do not say — let me take you out of your misery, brother."

There was plenty of controversy about that, of course. It was pointed out that many Labour supporters earn less than £400 a month. It was also thought that the reference to dockers contained more than a touch of chauvinism. Many of the lowest paid workers are women and women are beginning to play more of a role in the Labour Party.

Still, Mr Kinnock and Mr Todd between them had hit a

nailed on the head. The point was made perhaps more tactfully by Mr Larry Whitty, the party's general secretary, when he spoke about a middle group of the electorate. These people, he said, were middle income, owned their own house, held maybe a few shares, but were in no sense a new plutocracy. Moreover, they existed in all parts of the country. They are the people Labour has to win over if it is to revive.

Much of the conference was about how, and it cannot truly be said that anyone is much wiser by the end. Partly this is because all Labour Party policy is now officially under review and the first draft documents will not begin to appear until next year. It is also because the various factions are still sifting each other up. None of them wants to be accused of unduly rocking the boat. Not least, there seems to be a sort of deal of genuine doubt about how revisionist the party can or should be. Mr Kinnock often talks as if he is ready to jettison most of the old baggage, but he does not always follow through.

Defence policy is an example. Mr Ken Livingstone, the newly elected member of the national executive committee and MP for Brent South, gave a warning that Mr Kinnock would be risking civil war in the party if he sought to abandon the nuclear approach. Reassurances were quickly forthcoming that the leader has no intention of doing any such thing. So per-

haps nothing much has changed.

What has certainly not changed, and may have been cemented, is the party's relationship with the trades unions. The only fundamental decision taken this week concerned the method of selecting and re-selecting parliamentary candidates. The idea was to get away from selection by small militant groups towards a wider franchise. One system on offer was direct democracy or one member one vote. Instead, with no objections from Mr Kinnock, the conference chose an electoral college that will give the unions 40 per cent of the voting power in the constituencies.

That was deliberate. Mr Kinnock did not want a fight with the unions and the bulk of the union leaders did not want a fight with him. The new system may be transitional. Mr Todd seemed to be hinting at a period of about 10 years. But the immediate point is that the union leaders still regard themselves as the guardians of the Labour Party, as well as the paymaster, and they want something in return for their money. Mr Kinnock is happy to accept that arrangement.

As it happened, the unions — or sufficient of them — came dramatically to Mr Kinnock's rescue in a key vote on Wednesday afternoon. For a few moments it looked as if the conference had passed a resolution of hands a resolution that would have committed a Labour government to take back into

public ownership everything that has been or will be privatised by the Tories. A famous card vote was then called and enough of the unions did their stuff for the resolution to be rejected. As a protection against the constituency activists, the unions can be a useful conservative force.

Conservatism, however, is what it is: not radicalism. The debate in the Labour Party may have changed from how much of Thatcherism should be rejected to how much of it should be accepted, but the party does not initiate and does not produce new ideas of its own.

The discussions on wider share ownership scarcely broke new ground. Given Mr Gould, the shadow Trade and Industry Secretary, who sometimes seems to be conducting a softening-up process for Mr Kinnock, was pushing only for a measure of acceptance of what the Government has already done, coupled with giving shareholders a greater say in the management of the company they work for. The latter part of that case was an idea put forward by the Labour left over 20 years ago, as the veteran Mr Ian Mikardo was unkind enough to remind him. It was then rejected by the Labour right.

Discussions on economic policy were virtually nonexistent. Mr Robin Cooke, the shadow spokesman for Health and Social Security, complained last year that only 11 consti-

tencies submitted a resolution on the economy. This year there were only eight.

Mr John Smith, the new shadow Chancellor, made only one three-minute speech at the conference proper and was not going out of his way to address fringe meetings. However when he spoke, he said nothing new, stressing largely the need to increase investment in manufacturing and to maintain a regional policy, much as he did when he was shadowing Trade and Industry.

One of the biggest cheers at the conference came when someone announced that Mr Keith Best, the former Tory MP who overrode his share applications, had been sentenced to prison. In other words, the discussions were hardly mainstream. Labour economics does not advance without the working class being at the centre of everything that we do."

There were also one or two undercurrents which suggested that the party's professed search for modernity may be a bit of a facade. Thus Mr Tom Sawyer, deputy leader of the National Union of Public Employees and a man who has played a large part in trying to bring the party up to date, told the Tribune Rally that now he was among friends he could speak candidly. "We are a class party," he said. "We're based on the working class and cannot advance without the working class being at the centre of everything that we do."

The Tribune Rally, incident-

ally, is no longer what it was. It used to be packed out, almost the main event of the week. This time it was at most half full, and while the standard bearers of the left still put down their markers, one had the impression that some of them were doing it with a friendly smile rather than through the clenched teeth of the past.

And that really was the mood of the conference: looking for the best in pretty appalling circumstances. It won high marks for trying and the party still has some valuable assets. The Labour front bench looks remarkably young: not only Mr Gould and Mr Cooke, but perhaps particularly Mr Jack Straw, the shadow Education Secretary, who made one of the best conference speeches of the lot and will be a formidable opponent for Mr Kenneth Baker, the Education Secretary, when parliament resumes.

The new black and the new women Labour MPs will help stir the place up. Ms Diane Abbott, the member for Hackney North, has the advantage of being both. Nevertheless, outside observers would probably have concluded that they had been at a very conservative conference with a few mavericks on the fringe. Mr Kinnock, in his own words, is looking forward to the time when the oil will have run out and there is nothing left to privatise. At that stage the country might want to become conservative again. He is doing his best to prepare for it.

Lombard Scientists and philistines

THE DEBATE has officially started on how to direct UK science and technology to meet the country's needs. A likely result — and one which involves some dangerously muddled thinking — is the channelling of more resources to back what are deemed commercially exploitable technologies, at the expense of non-focused scientific work where any corporate pay-offs are decades away.

Discussions are being held under the auspices of a new government committee, the Advisory Council on Science and Technology (ACOST). This body, which held its first meeting this week, is to suggest to ministers how to allocate priorities within the Government's Research and Development budget, which totals some £4.5bn a year, and how best for researchers in academia and state-owned laboratories to work with the private sector to maximise commercial spin-offs.

The council has been set up within a climate created by Mrs Thatcher, among others, which suggests that Britain's academic researchers have failed the country by not being pushy enough in getting their ideas applied in business.

What needs to be done, according to this argument, is to devise a plan for science and technology in which industrial leaders have the major say. ACOST, which includes business heavyweights from companies like Rolls-Royce and British Telecom, is one result of this thinking. Another is a new official think-tank, to be financed largely by Britain's top companies, on how Britain can best exploit science and technology.

The inference of all this is that scientists in pure research who cannot show a precise link with commercial exploitation will find it increasingly difficult to gain funds. The effects are already becoming clear, as manifested by the squalls of complaint in the past year from academic scientists.

No one would dispute that in many research areas close links between industry and academia are important. The onus, however, should be on industry to chase after interesting academic work, not the other way around. Universities should be able to justify doing research on the grounds that it is scientifically appealing, not because it may at some

point be commercially lucrative. There are many examples — the invention of the electric motor and the transistor among them — of unfocused research programmes leading ultimately to huge industrial benefits. Britain's pharmaceutical industry, the country's fourth biggest earner of manufacturing exports, has relied for its successes in the past decade on the country's research strengths in biology built up over 50 years.

Take, also, space research. Mrs Thatcher has used the general lack of interest of UK industry in extraterrestrial activities to support her case for a freezing of Britain's space budget which is already pitifully small by international standards. The point here is that — in much the same way as no one in 19th-century Britain could have detailed the commercial logic of discovering America — the benefits of space research cannot be visualised. Exploring beyond the atmosphere is also a valid exercise on intellectual grounds. Governments should support it in the same way as they underwrite the building of libraries or subsidise theatre performances.

One way in which proponents of the new philistinism in UK science seek to justify their proposals is by pointing to Japan. That country has made rapid economic progress in the past 30 years by channelling resources towards short-term applications of technology.

Even if it were possible for Britain to copy the Japanese methods of the past, such a move would be unwise. Government and industry leaders in Japan believe that future industrial successes will depend on pure scientific work, in areas like biochemistry and materials. Japan has realised that the best of all worlds is to produce a healthy tension between applied and pure forms of science, with the results from either side of the research spectrum available to help industry. In Britain in recent years there has been a new understanding, which is in general welcome, of how industry can achieve some of its short-term goals through working with academia. The challenge now is to ensure that nothing happens to stop the long-term studies which may benefit companies in the next century.

Airports policy

From the Chairman and Chief Executive, Britannia Airways.

Sir, — Sir Adam Thomson (September 22) argues that the policy for Gatwick is unrelated to the proposed takeover of BCal by British Airways. Government policies over many years, however, promoted BCal as the "second force" airline, encouraging it to stay at Gatwick to compete with BA, which in turn has its own impregnable fortress at Heathrow. Without modification of the present policies for Gatwick, BA stands to inherit these very advantages which were provided to create competition against BA.

I agree with Sir Adam: the needs of business passengers must be considered fully. They do mind from which airport they fly — but so do leisure passengers who make up the majority of all ex-UK international passengers. Over 90 per cent of all such passengers travel for leisure reasons and only some 16 per cent for business — and this business percentage continues to decline. To encourage scheduled traffic with business is a myth and, in this case, one designed to achieve political favours for commercial ends.

That hubs are good for the consumer is another myth. Hubs are necessary, but only up to a certain point. As a generalisation, hubs are good for airlines — not passengers. Most passengers seek to fly direct point to point, not via an intermediary hub.

The development of Gatwick as a major scheduled hub delays the development of direct scheduled flights from regional airports. Not only does it draw into Gatwick more heavily loaded "feeder" flights, reducing airport efficiency, but it denies provincial passengers the opportunity for more direct scheduled flights. It would also deny local residents a choice of charter services from Gatwick: their regional airport.

Today, charter airlines operate from local airports across the country. Indeed, British charter airlines now operate nearly 400 regular routes into Europe, compared to scheduled airlines which provide half that number. It is charter which provides the competition of scheduled fares shows that on those routes where there is no charter competition, fares are about 40 per cent higher per passenger mile than on routes where there is significant charter competition.

Another myth is the conclusion that anyone living north of the Thames should fly from Luton or Stansted. The

Letters to the Editor

Thames is a somewhat arbitrary dividing line. Even Victoria Station which feeds Gatwick is north of the Thames, as is the West End and the City of London!

Sir Adam argues that many charter operations only use slots for short peak periods and these should be moved to make way for additional scheduled services. There is no need for any such legislation. The existing, internationally agreed and practised, slot allocation system already takes account of such situations.

The business passenger has genuine needs at Gatwick. So, too, does the leisure passenger. Reconciliation of these sometimes conflicting needs is the sought to be achieved. In seeking resolution, it is essential to consider the needs of the passengers rather than any narrow, sectional, commercial interests.

The future policy for Gatwick is inextricably linked with the need to deal with the consumer interest demands a solution allowing scheduled and charter flights at Gatwick to operate on an equal basis.

D. H. Davison,
Luton Airport, Beds.

The housing market

From Mr N. Bowie.

Sir, — If the Government is seriously minded to restore the rented housing market it needs to make some radical changes and not just tinker with it as Mr Ridley has done in the White Paper.

Landlords, as Mr Ridley correctly states, need an adequate return on the capital employed, but the resulting rent is right out of reach of the ordinary person with a modest income in relation to what they can afford to pay.

The remedies are simple: release much more land with some increase in densities so that prices fall as the land content in a house price comes down to an economic level of say 20 per cent of the total price; place the tenant in the same fiscal position as the house buyer and allow rent up to say £3,000 pa to be a tax deductible allowance; and, allow the owner to depreciate the building cost against rent over say 60 years.

If this is done, once again the people in the country will enjoy a free market and be able to choose where to live at a price — buying or renting —

they can afford. At the same time pressure on earnings due to the unrealistic rise in house prices will vanish.

N. W. Bowie,
1 Uplands Close SW14.

Self-regulating codes

From Mr P. Croux.

Sir, — In an otherwise excellent article on self-regulation (September 24), Fiona McEwan makes some concluding remarks which, while true of the ICC codes, would be misleading if readers took them to be comments related to self-regulation in general.

She says that self-regulation is seldom able to exercise sanctions on members. In fact, a whole variety of sanctions exist in relation to self-regulatory codes, ranging from expulsion from a trade association to adverse publicity. Anyone who has experience of business will know how potent a sanction the latter is.

The advertising industry, for example, has a particularly successful system of self-regulation, to a large extent because of the willingness of the media to withhold space from an advertiser who breaches the rules.

Fiona McEwan says that self-regulatory codes have little or no influence on non-members. While this is, I accept, a traditional argument against self-regulation, it can be taken too far. There are numerous instances of reputable traders who, although not in membership of a particular trade association, nevertheless adhere to the standards encapsulated in the association's code of practice. So, for example, although the Radio Times is not in membership of any of the sponsoring bodies of the advertising self-regulatory system, it nevertheless supports the British Code of Advertising Practice and insists that advertisements must comply with its standards.

We must not overlook the way in which a code of practice can set the parameters of what is considered fair trading within an industry. This was illustrated by a recent case under Part III of the Fair Trading Act where the court demanded that a trader complied with the relevant trade association code, even though the trader was not a member of that association.

The important point is that the role of the ICC code has, largely been that of providing

inspiration for national systems of self-regulation. Accordingly, it stands to be judged on some what different criteria to those which would apply to a national system with a major adjudicatory role.

Philip J. Croux,
(Director for Legal Affairs),
Institute of Practitioners
in Advertising,
44, Belgrave Square SW1

Uncovered market

From Mr E. Butt.

Sir, — I have come across a number of references lately regarding the value of the services of a housewife in running a home and looking after children. The most recent of these was to a Legal and General report giving an annual "value" of £20,000.

Recently, I have been seeking additional life and private health insurance cover for my wife to match our changing circumstances. My major findings are that while appropriate life cover is available to this quoted "value," it is apparently not possible to obtain corresponding PHI cover. The reason given is that it is difficult to "verify" claims on a PHI policy from a non-wage earner. I believe that the insurance industry may be missing an opportunity here in being unwilling to provide the "complete" cover represented, for instance, by the combination of term assurance and PHI.

R. J. Butt,
45, Eleventh Avenue,
Coast Hill,
Hford, Essex.

BT easy pay play

From Mr B. Bosworth.

Sir, — It is good to read that British Telecom is now making profits although it is a pity that efficiency and good customer service has nothing to do with it. Its latest play, however, to improve profits seems underhand.

My secretary has received her domestic telephone bill amounting to £45.50. At the end of the bill there is a note "Pay nothing now. Pay by budget account at £20.00 per month. (APR 0%) First payment October."

APR 0% — when it is asking for £60 per quarter for a £45.00 bill! How many customers will fall for this easy payment plan and find themselves overpaying their bills? British Telecom will, of course, repay the credit but it will be making a fortune in earned interest in the meantime.

Bruce N. Bosworth,
22a Worcester Road,
Hagley,
Stourbridge,
W. Midlands.



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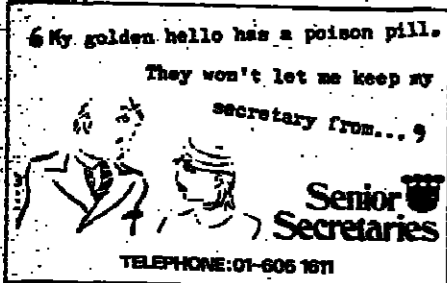
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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Friday October 2 1987

GRAND METROPOLITAN
...adding value

Hill Samuel in takeover discussions with TSB

BY CLIVE WOLMAN IN LONDON

HILL SAMUEL, the troubled British merchant bank, yesterday suspended dealing in its shares on the London Stock Exchange while its executives were locked in complex negotiations with the Trustee Savings Bank banking group (TSB) and the securities firm, Barclays de Zoete Wedd, over the terms of a takeover bid.

The shares were suspended at a price of 70p after rising sharply during the morning from 64p. Any announcement of an agreed bid, although possible today, is likely to be delayed until Monday to allow some of the deal's details to be hammered out over the weekend.

The price of the bid is likely to be

substantially above the 74p-75p-a-share offer for Hill Samuel made by the British advertising agency Saatchi and Saatchi, which was rejected by the Hill Samuel board two weeks ago. The offer valued the company at £200m (\$1.12bn).

Under the agreement now being negotiated, the TSB would acquire the investment management, life insurance and unit trust operations of Hill Samuel while BZW would acquire the corporate finance department.

A home has also been found for Wood Mackenzie, the securities firm with a strong research team which was acquired by Hill Samuel last year, possibly with a US institu-

tion. But no details of the arrangements for Wood Mackenzie or for the insurance broking, employee benefits and shipping businesses of Hill Samuel emerged yesterday.

Last month Hill Samuel dismissed the head of its corporate finance department, Mr Trevor Swete, and his deputy, Mr Christopher Roshier, for negotiating the sale of Hill Samuel's corporate finance department to BZW.

In August discussions over the possible acquisition of Hill Samuel by the Union Bank of Switzerland, a move which was strongly supported by the board, ended in failure after UBS said it was no longer interested in acquiring the group.

Rorer stock agreement ends threat to Robins

By James Buchan in New York

A THREAT to the reorganisation of A H Robins, the pharmaceutical company operating under Chapter 11 of the US bankruptcy code, fell away yesterday with the agreement, by important family shareholders, to their part of an \$800m exchange of stock with Rorer, an aggressive maker of non-prescription drugs.

Yesterday's announcement opens the way for a \$1.77bn settlement with the hundreds of thousands of women who drove Robins into bankruptcy with claims of severe injury from the company's Dalkon Shield intrauterine contraceptive device.

It should permit the creation of the sixth-largest US over-the-counter drugs company, combining such well-known products as Robitussin cough medicine, Chap-Stick lip salve and Maalox antacid.

In late-night negotiations on Wednesday, lawyers for Mr Clai-borne Robins and his son, Mr Clai-borne Robins Jr, finally accepted Rorer's terms for the large block of Rorer stock they will receive for their 41 per cent of Robins.

The two men, who are chairman and chief executive, have already approved the merger as board members.

They had apparently left open a threat to seek control of the merged company or sell out to a hostile bidder if Rorer did not indemnify them against personal liability for the Dalkon Shield.

Their demand caused Judge Robert Merlino, the bankruptcy court judge who has frequently criticised the two men, to suggest they resign from the Robins board because of potential conflict of interest.

Rorer said yesterday that the Robins had agreed not to add to their holding and settled terms for any future "orderly disposal."

Andrew Baxter looks at Premark International's debut tour of Europe in search of investors

New kind of Tupperware party in London

A SERIES of somewhat unusual Tupperware parties is being held in Europe this week as Premark International, one of the two major US companies that emerged from last year's dismemberment of Dart & Kraft, made its debut trip around the Europe's financial centres.

Premark, formed last October with 22,000 employees and worldwide sales of \$2bn, is the inheritor of the 25-year-old range of Tupperware plastic kitchen equipment sold by more than 300,000 independent dealers working on commission.

Its name stands for "premier trade marks" to denote brand names such as West Bend housewares and Hobart catering equipment.

Yesterday, however, in the slightly less-than-homely setting of Painters Hall, City brokers and institutional investors were being wooed to buy shares in Premark rather than tubs to put in their fridges.

To aid the process, shares in Premark began trading in London yesterday as the company attempted to

KRAFT REPURCHASE

KRAFT, the major US foods group formed from the division of Dart & Kraft, said it might repurchase up to 10m common shares from time to time in open market and privately negotiated transactions. Kraft has 135.7m shares outstanding, and at current market prices the repur-

chase of 10m shares would cost around \$530m.

Kraft, whose products include processed dairy lines, packaged dinners and salad dressings, said the repurchased shares would be held in its treasury and be available for general corporate purposes.

broaden its investor base in recognition of its international emphasis.

Around 5 per cent of shares are held outside the US, a number which the company would like to increase, while 36 per cent of the \$1bn in first-half sales were international.

Mr Warren Batts, chairman and chief executive, said that the decision to separate the businesses, now owned by Premark from the Kraft food interests had been proved correct.

"Being diversified was no longer an asset," he said of the former

Dart & Kraft combine. "Without question our businesses were not performing at a peak."

To address this, Premark was focusing on improving marketing and cost controls, particularly in the US Tupperware business, where increased competition and a general downturn in the direct selling industry from 1983 have reduced profits.

Mr Batts said big efforts were being made to improve the design and broaden the uses of Tupperware products, including a move into Tupperware for pre-school children.

With US women going out to work in increasing numbers, and therefore unable to hold parties during the day, sales demonstrations were now being held before and after work, at child care centres and even at laundrettes.

Despite these efforts, however, Tupperware sales in the US, where the company has a 70 per cent market share, will be flat this year. In contrast, the international Tupperware business is performing strongly - unit volumes were up 10 per cent in the first half - and growth prospects are better because penetration of the market is still only a third of the US level.

This helped Tupperware contribute 49 per cent of Premark's \$88.7m in first-half operating profits, emphasising the importance for Premark of reinvigorating the range.

For Premark as a whole, net income is expected to be about the same this year as the \$60.8m earned last year, which excludes \$148m of writedowns, but earnings are expected to accelerate next year as a result of actions taken in the current transitional period.

CBS studies record unit future

BY OUR FINANCIAL STAFF

CBS, the US media group which has been undergoing a large restructuring, said yesterday it was studying several courses of action for CBS Records Group, the unit which Sony, the Japanese consumer electronics group, is seeking to acquire.

The statement by CBS followed intense speculation on Wall Street that a sale might be announced. CBS stock jumped 89¢ to \$22.54 on Wednesday, but the market appeared less certain yesterday, and investors took profits. After the

statement the company's stock was down \$1¼ to \$22.

The aim is to "maximise shareholder value in the short and long term," CBS said in its short statement yesterday.

"Further consideration by the CBS board is planned at its regularly scheduled meeting on October 14," the company said.

The company added that its board had held a special meeting early yesterday to consider the future of the records unit, which Wall

Street believes could be worth \$1.25bn in a sale and whose recording talents include rock star Bruce Springsteen.

Sony first approached CBS in mid-September, expressing an interest in a sale.

The unit has been a star performer at CBS, helping earnings at a time when the CBS Broadcast Group was under pressure. Analysts have said Sony would benefit by the acquisition of a record company, complementing its business in audio electronics.

JMB raises Cadillac Fairview offer

BY DAVID OWEN IN TORONTO

JMB REALTY, the Chicago-based property company, has changed to C\$28.95 in cash the purchase price it will offer for each of 5.2m outstanding Cadillac Fairview warrants under its previously announced C\$34-a-share or C\$2.8bn (US\$1.98bn) takeover of the Toronto property developer.

In July JMB had said that it

would purchase the warrants for C\$24.25 each plus one quarter of a second preference share in its CPCL Acquisition Corp unit.

The outstanding warrants are exercisable into common shares at C\$9.75 a share until next August 31.

The move follows JMB's C\$100m reduction in the terms of its proposed acquisition in July because of

coming changes in Canadian corporate taxation announced in June by Mr Michael Wilson, Finance Minister.

Cadillac Fairview announced last autumn that the company was for sale and that its principal shareholders, the Bronfman family of Montreal, were willing to sell their shares at the right price.

Adia boosts earnings and raises dividends

BY JOHN WICKS IN ZURICH

ADIA, the Swiss-based, temporary employment group, proposes to increase its dividend, carry out a rights issue and make a further international placement of bearer participation certificates.

The parent company in Lausanne recorded a 41 per cent rise in net profits for the business year ended June 30 to a record SF32.1m (\$20.86m).

The board will recommend payments of SF80 per bearer share, SF40 per registered share and SF8 per participation certificate.

At the same time, the company, whose interests include Alfred Marks of the UK, intends to mark its 30th anniversary by paying spe-

cial bonuses of SF10, SF5 and SF1 for the three equity categories.

Holders of the beneficiary certificates known as "baby Adia" will receive a dividend of SF4 and an anniversary bonus of 50 centimes.

Without giving details, Adia says it plans to issue Swiss franc bonds with linked equity warrants as a rights issue to existing holders of shares, participation certificates and "baby Adia" certificates.

The Adia group, now the world's second-biggest in the temporary employment sector, expects consolidated turnover to rise from SF1.8bn last year to more than SF2.2bn in 1987.

Swiss retailer plans SFr77m rights issue

BY OUR ZURICH CORRESPONDENT

INTERDISCOUNT HOLDING, the Swiss retail group, is to raise about SFr 77m (\$50m) by a rights issue, at the same time restructuring its share and participation-certificate capital.

The initial capital transaction foresees the doubling of the nominal value of existing bearer and registered shares and participation certificates to SF400, SF200 and SF40, respectively.

Subsequently, the registered shares would be split, thus doubling the number of this category, while leaving that of bearer shares and participation certificates unchanged.

At the same time, a total of 14,520

new bearer shares of SFr400 nominal value would be offered at SFr4,400 each. Holders of 20 registered shares of 10 bearer shares would be entitled to one of the new bearer units.

The Fribourg-based concern also plans 27,500 new participation certificates of SFr40 nominal value at a unit price of SFr440 at a rate of one for 10 existing certificates.

At its October 22 general meeting, the board is also to propose increasing dividends for the year ended June 30 from SFr50 to SFr55 per bearer share, from SFr25 to SFr27.50 per registered share and from SFr5 to SFr5.50 per certificate.



Jefferson Smurfit Group p.l.c.

"I am confident that the Group will have an outstanding year"

Michael Smurfit, Chairman

Interim results for the 6 months ended 31st July, 1987

Pre-tax profit up 166% to IR£64.2m
Earnings per share up 136% to 14.2p
Dividend up 10% to 1.23728p

In the United States, which contributed 83% of our pre-tax and interest profits, all areas of our business are showing improvements over last year. Jefferson Smurfit Group also benefited from the encouraging contribution of CCA, its associate, to the earnings for the period.

The performance of our businesses in Ireland has been creditable in view of difficult circumstances.

We continue to make progress in returning our U.K. businesses to a position of satisfactory profitability.

Our new businesses in Holland, Italy and Spain have performed well with profits and margin improvements. We are actively pursuing a policy of expansion of our core business from this new European base.

Debt reductions in both CCA and Smurfit Newsprint are exceeding our expectations and in the case of CCA would be as much as \$250,000,000 for the year up to December 1987.

Copies of the interim statement will be sent to shareholders and will be made available to the public at the company's registered office.

Registered Office and Corporate Headquarters
Jefferson Smurfit Group plc., Beech Hill,
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This announcement appears as a matter of record only.

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INTERNATIONAL COMPANIES & FINANCE

Milk Marketing Board

£75,000,000 Floating Rate Notes 1983

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 30th September, 1987 to 30th December, 1987 has been fixed at 10 1/4 per cent. per annum. Coupon No. 7 will therefore be payable on 30th December, 1987 at £1,293.32 per coupon from Notes of £50,000 nominal and £129.33 per coupon from Notes of £5,000 nominal.

The Milk Marketing Board, with the consent of the Minister of Agriculture, Fisheries and Food, the Secretary of State for Wales and the Law Debenture Trust Corporation p.l.c., has transferred the operation of its Commercial Activities to a wholly-owned subsidiary company Dairy Crest Limited. A Supplemental Trust Deed has been executed under which Dairy Crest Limited has guaranteed the payment of both interest and principal in respect of the Notes and has entered into various restrictions similar to those already entered into by the Milk Marketing Board.

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The Rate of Interest applicable to the Interest Period from September 30, 1987 to March 29, 1988, inclusive, was determined by Dresdner Bank AG (London Branch) as Reference Agent to be 8 1/2 per cent.

per annum. Therefore, interest per Note of U.S.\$10,000 principal amount is due on March 30, 1988, the relevant Interest Payment Date, in the amount of U.S.\$423.40.

Dresdner Bank
Aktiengesellschaft
Principal Paying Agent

Frankfurt am Main
in September 1987

Baltica sells reinsurance operation for \$169m

By Hilary Barnes in Copenhagen

BALTICA, the Danish insurance group, is selling its reinsurance business, Baltica Nordiske-Re, to Employers Reinsurance, a Kansas City-based subsidiary of the General Electric Corporation, for Dkr1.2bn (\$169m).

Baltica is one of the two biggest Danish insurance groups, with premium income of Dkr4.9bn. Nordiske-Re has about 150 employees and the bulk of its business is conducted in Scandinavia.

Mr Peter Christoffersen, Baltica's chief executive, said that Nordiske-Re, after losing substantial sums in the US in 1985, had recovered and was expected to show a profit of about Dkr100m this year.

He added, however, that reinsurance had become an extremely risky business, requiring a global organisation and considerable investment, for which Baltica had neither the experience nor the expertise. Baltica plans to use the proceeds of the sale to strengthen its position in Europe.

Forenedo Papir

A REPORT in the FT of September 23 referred to the purchase by Stora of a shareholding in Forenedo Papirfabrikker for Dkr160m. This sum is equivalent to \$22.9m, not \$11.5m, as we incorrectly stated.

DOMESTIC PETROLEUM LIMITED

U.S. \$50,000,000 FLOATING RATE NOTES DUE 1989

For the six months, September 24, 1987, to March 23, 1988, the rate of interest has been fixed at 8 5/16% P.A.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE
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LUXEMBOURG

The big trading group is making waves in the US. David Dodwell reports

Jardine spotlight homes in on Wall Street

FOR BRIAN POWERS, the New York merchant banker who was poached by Hong Kong's Jardine Matheson barely 18 months ago to orchestrate strategic growth in a group that had faced nothing but strategic retreat for three years, there must have been peculiar pleasure in returning "home" to unveil the purchase, worth \$301m, of a 20 per cent stake in Bear Stearns, the Wall Street securities house.

When he left James Wolfensohn, one of New York's most select "boutique" merchant banks, to join Jardine there must have been many colleagues who wondered what on earth he was doing, moving to an out-of-the-way place like Hong Kong to join a barely-known group that for three years had been among the world's corporate walking wounded.

To return to New York as managing director of Jardine Strategic Holdings to announce the group's emergence as a principal investor in such a substantial US banking group was the perfect way to put the cynics and sceptics in their place.

To suggest that Mr Powers alone was the architect of this week's purchase is overstating his claim.

Henry and Simon Keswick, the brothers who represent the interests of the family that has controlled Jardine Matheson since the buccaneering days of

the opium wars, and Rodney Leach, imported two years ago from Jacob Rothschild, also played critical roles in strategic planning.

But there can be no figure inside the group so strongly identified with its growth strategy, with the corporate restructuring that gave birth to Jardine Strategic, and with the self-assurance that has returned so fast to a group that four years ago was technically bankrupt.

While still at Wolfensohn, Mr Powers sold for Jardine its sugar interests in Hawaii, then acquired for the group its Pizza Hut franchises across the US and the insurance broking group Emmett and Chandler.

Small wonder then that since joining Jardine he has continued to bring to bear his formidable merger and acquisition experience. Small wonder too that most deals have been in the US on his home turf.

However, to direct all credit at Mr Powers would again be unfair as the painstaking work of bringing the group back from the edge of the grave had been all but completed when he joined it early last year.

When Hong Kong's property market collapsed spectacularly in 1983, Jardine faced massive losses.

These were aggravated by losses on shipping and trading operations, and by the group's cross-shareholdings with Hong Kong Land, the territory's largest



Brian Powers put cynics in their place

property group, which was caught with large-scale construction commitments just as the market collapsed.

As Hong Kong Land's debts appeared to be spiralling towards HK\$25bn (US\$3.2bn), many predicted the two groups were destined to share a grave.

There followed a period of painful convalescence when assets were sold steadily in an effort to control debts.

Four years later, with the Hong Kong economy back in flamboyant form, the days of distress sales are over. By the time corporate restructuring was completed early this year debts had been reduced to levels deemed modest by even the most conservative international standards.

The principal results of the reorganisation have been to pure Hong Kong Land back to a pure property company, and to float Land's leading subsidiaries, with the newly-created Jardine Strategic retaining investment stakes in all of these on behalf of the group.

Jardine Matheson's board was convinced that the sum of the different parts of the group - which included the Dairy Farm retailing operation and Mandarin Oriental hotels - would be greater than the whole. Since the flotations, it appears to have been proven right.

The flotations not only made the investing public more aware of the value of the subsidiaries, but unleashed cash that Jardine urgently needed to reduce debts and gave long-titled executives an opportunity to spread their wings.

It also removed long-standing fears that a predator might be tempted to mount a takeover in order to dismember the group and strip assets that, from the ordinary shareholder's point of view, had never been realised.

The new group structure retains defensive elements - not least a substantial cross-holding between Jardine Matheson and Jardine Strategic - but they are not the kind of cross-holdings that could strangle the group, as the arrangement with Hong Kong Land threatened to do four years ago.

Some might have been convinced this week that the purchase was made not by Jardine Matheson - which controls the group's financial services interests, mainly Jardine Fleming, the investment bank, and Jardine insurance brokers - but by Jardine Strategic.

The crux is that the investment is not a takeover by which Jardine would take operating control over Bear Stearns, but the purchase of a strategic holding.

Since Jardine Strategic's role is to sit at the centre of a corporate empire based on the original Jardine operating companies - Jardine Matheson itself, Hongkong Land, Dairy Farm and Mandarin Oriental - it seems the logical home for the investment in Bear Stearns.

While it is difficult to predict future investment plans, one can say with some confidence that further substantial investment in Hong Kong is unlikely in spite of frequent complaints that this implies a lack of confidence in the territory.

Jardine executives are united in arguing that their assets are already too heavily weighted in the British territory, and that suitable takeover targets in Hong Kong are hard to find.

But with Mr Powers's enthusiasm for investments in the US, how long will it be before there are arguments about being over-weighted in North America? It will be interesting to see where he strikes next.

Alitalia profits soar as passenger loads increase

BY JOHN WYLES IN ROME

SUBSTANTIAL increases in domestic and international passenger traffic has carried Alitalia, the Italian national airline, to a healthy increase in turnover and operating profits in the first six months.

Following a 12 per cent increase in passengers to 4,506m - the company's turnover has risen by 6.5 per cent to L1,901bn (\$1.2bn) while operating profits improved from L25bn in the same period last year, to L83bn.

At the net level after transfers to reserves, profits are L21.3bn, compared with L1bn last year. The airline's debt equity ratio remains at about 1:1 but self-financing of investments nearly doubled over the first half of 1986, to reach L155bn.

The company invested L134bn of this in its fleet of aircraft. The management claims that these results follow efforts to improve in-flight service and to set a competitive pricing policy. The company has also increased the number of available flights and has reorganised its timetable.

Alitalia says that in view of future aircraft requirements and other investment needs, the board has approved a proposal to seek a capital increase from L421.2bn to L535bn.

Windesit is expected to be sold before the end of the year, the company's court-appointed administrator said yesterday. He declined to identify the companies which had submitted offers.

St-Gobain plans \$283m outlay in Brazil

By Our Financial Staff

SAINT-GOBAIN, the French glass and ceramics group, will invest \$246m in Brazil over the next three years. The company will spend \$283m in addition to the \$37m outlay announced in April.

Of the \$228m, the equivalent of \$46m will come from the International Finance Corporation, a World Bank affiliate, and \$62m from other foreign banks.

The remaining \$176m will come from Saint-Gobain and its Brazilian affiliate, Companhia Vidraria Santa Marina.

The company said \$170m would fund a factory to make plate-glass for use in the motor and construction industries.

Allianz forecasts strong rise for 1987 premiums

BY OUR FINANCIAL STAFF

ALLIANZ, West Germany's largest insurance group, expects to increase world premium income to more than DM25bn (\$13.5bn) for 1987, representing an increase of more than a quarter on last year's DM19.2bn.

The company said the upturn was based on revenue from its Italian subsidiary Rimonte Adriatica di Scuria (RAS), in which Allianz took a majority holding in April.

Allianz's income from foreign units was expected to rise to about DM2.9bn this year, compared with DM4.2bn in 1986.

Domestic non-life premium income should increase to DM3.8bn, an increase of about DM400m on the previous year, the company said. Domestic

revenue from life assurance was expected to rise to some DM6.7bn, about 10 per cent above 1986 levels.

Allianz raised domestic group net profit to DM333m last year from DM328m in the 1985 period. The company made no specific profit forecast for this year.

However, it said the expected increase in revenue was unlikely to be matched by any other West German insurance group.

The rise in domestic car insurance claims experienced last year had continued in 1987. Payments on claims had risen by about 11 per cent by the end of August from the same period in 1986, while revenue in that sector had increased by only 6.6 per cent.

New Issue

This announcement appears as a matter of record only.

15th September, 1987



Tokyu Construction Co., Ltd.

(Tokyu Kensetsu Kabushiki Kaisha)

U.S. \$70,000,000

3 3/4 per cent. Guaranteed Notes due 1992

with

Warrants

to subscribe for shares of common stock of Tokyu Construction Co., Ltd.

The Notes will be unconditionally and irrevocably guaranteed by

The Mitsubishi Bank, Limited
(Kabushiki Kaisha Mitsubishi Ginko)

Issue Price 100 per cent.

Yamaichi International (Europe) Limited

J. Henry Schroder Wagg & Co. Limited

BNP Capital Markets Limited

Banque Paribas Capital Markets Limited

Berliner Handels- und Frankfurter Bank

Crédit Lyonnais

Dresdner Bank Aktiengesellschaft

Generale Bank

IBJ International Limited

Merrill Lynch Capital Markets

Mitsubishi Finance International Limited

Morgan Stanley International

Nomura International Limited

Swiss Bank Corporation International Limited

Swiss Volksbank

Union Bank of Switzerland (Securities) Limited

S.G. Warburg Securities

New Issue

This announcement appears as a matter of record only.

23rd September, 1987



Tokyu Hotel Chain Co., Ltd.

(Kabushiki Kaisha Tokyu Hotel Chain)

U.S. \$70,000,000

3 3/4 per cent. Guaranteed Notes 1992

with

Warrants

to subscribe for shares of common stock of Tokyu Hotel Chain Co., Ltd.

The Notes will be unconditionally and irrevocably guaranteed by

The Mitsubishi Bank, Limited
(Kabushiki Kaisha Mitsubishi Ginko)

Issue Price 100 per cent.

Yamaichi International (Europe) Limited

J. Henry Schroder Wagg & Co. Limited

BNP Capital Markets Limited

Banque Paribas Capital Markets Limited

Berliner Handels- und Frankfurter Bank

Crédit Lyonnais

Dresdner Bank Aktiengesellschaft

Generale Bank

IBJ International Limited

Merrill Lynch Capital Markets

Mitsubishi Finance International Limited

Morgan Stanley International

Nomura International Limited

Swiss Bank Corporation International Limited

Swiss Volksbank

Union Bank of Switzerland (Securities) Limited

S.G. Warburg Securities

INTL. COMPANIES & FINANCE

Brierley Investments jumps 91%

BY LINDA SAUNDERS IN WELLINGTON

DESPITE A 91 per cent increase in profit to NZ\$342.1m (\$222m), Brierley Investments, the New Zealand investment company, is looking at major changes to its accounting policies, saying they are regarded internationally as being too conservative. In a document prepared last year for Brierley's listing on the London Stock Exchange, auditors PricewaterhouseCoopers had Marwick recalculated profits for the past five years upwards by about 15 per cent to bring them into line with international standards.

Brierley also announced two share issues: a one for 10, cash

issue, raising about NZ\$240m, followed by a one for four bonus issue, lifting capital to about 1.65bn shares.

Mr Paul Collins, chief executive, justified the issue, despite some fears of negative market reaction, saying he believed the market would accept it, and that the money was needed to continue accelerated growth.

The earnings figure, achieved after NZ\$72.7m in tax included no equity accounting of associates, nor any property revaluations. All foreign exchange transactions were included in the profit, and the goodwill on acquisition of subsidiaries had

been written off. Earnings per share were 33 cents.

Had Brierley accounted for its Magnum Corporation acquisition in the conventional manner it would have boosted the profit by NZ\$96m instead of reducing it by NZ\$14m.

The profit was achieved on turnover more than doubled to NZ\$7.15bn.

The balance sheet saw total assets double to NZ\$11.82bn, mainly through the value of shares in public companies rising from NZ\$1.3bn to NZ\$5.68bn. Shareholders' funds doubled to NZ\$1.82bn, while minority in-

terests, which Brierley incorporates as part of its capital funds figure, were \$1.74bn. Capital funds totalled NZ\$3.67 against \$2.33bn last year.

Mr Collins also restated the company's intention to proceed with its bid for the UK insurance group Equity and Law. Cie du Midi, the French financial group is also bidding for Equity. EIL owns 23.5 per cent of Equity against Midi's holding of about 14 per cent. Brierley increased its original 365p cash offer for Equity to 450p on Tuesday in response to Midi's mixed cash and equity offer, now valued at about 440p.

Tateho stake sale disclosure

THE HANSHIN Sogo Bank, an urban sogo or mutual savings bank, disclosed that it had sold 100,000 shares of Tateho Chemical Industries on September 1, one day before Tateho reported losses of Y28bn (\$191m) in connection with futures trading on the Japanese government bond market, AP-DJ reports from Tokyo.

"All we can say is we sold that number of shares on September 1. I can't comment any further. The Finance Ministry and others are still investigating," Hanshin Sogo said.

The sogo bank, however, denied that insider trading fig-

ured in the transaction. The bank claimed that it was reacting to news reports citing unnamed sources as saying the institution had undertaken the selling.

The disclosure was made in the context of a continuing industry and government inquiry into whether insider trading might have figured in the period before Tateho's severe losses came to light.

Tateho, a mid-sized chemical maker, suffered an estimated Y20bn in losses for the year, against net assets of Y16.9 bn, and publicly revealed the matter on September 2. The chemi-

cal concern's share prices tumbled as a result, sending prices on the Japanese government bond market plunging.

Current semi-official inquiries are looking into the possibility that certain financial institutions or individuals had advanced knowledge of Tateho's impending debacle and sought to defray their losses by selling shares before an announcement.

A spokesman for the Osaka Stock Exchange, one of the industry groups investigating the affair, said to date it had not released any statements or findings in the Tateho case and is still reviewing evidence.

CSK denies losses from stock trading

CSK, a Japanese computer software developer, yesterday denied it had suffered any losses through financial investments such as stock or bond trading. Reuters reports from Tokyo.

The company's share price fell by Y550 to Y6,100 (\$41.6) on the Tokyo Stock Exchange after reports that the company had suffered serious losses in spec-

ulative investments.

"We have never engaged in such financial investments," the company said. "We have no losses."

A company official earlier declined to comment on the possibility of investment losses, but said a local press report that the profits for the year ended September 30 would show the

first loss since the company was founded in 1968, could have sparked the fall in share price.

The stock market has been nervous about potential losses by companies engaging in "hightech" or financial dealings such as stock and bond investments, after Tateho Chemical Industries announced large losses on the government bond market.

Ashok sale sparks international interest

BY JOHN ELLIOTT IN NEW DELHI

INTERNATIONAL TRUCK manufacturers and prominent Indian businessmen have submitted bids ranging between \$20m (\$32.5m) and \$30m to buy Ashok Leyland, India's second largest commercial vehicle manufacturer, from Rover Group of the UK.

The sale is attracting international attention because of the expansion potential of Ashok Leyland, which has 30 per cent of the Indian truck and bus market, holding second position to Telco, part of the Tata group. Ashok Leyland's profits rose to Rs64.1m (\$4.8m) last year, starting a recovery after several

years' decline.

Companies involved include Daf of Belgium, which early this year merged with Leyland's UK commercial vehicle operations, General Motors of the US, Fiat Iveco of Italy, and Hino of Japan which already has a technical collaboration agreement with Ashok Leyland. MAN of West Germany and Cummins of the US have been expressing interest.

The main bid from within India has come from Mr. Bahul Bajaj of Bajaj Auto, the world's second largest producer of motor scooters. Mr. Bajaj lacks a partner from the international truck industry, which means his bid does not strictly conform to a requirement that the winner should have expertise to develop the company's products. He had hoped to tie up with Fiat Iveco, but now says he will find a technological partner immediately if he wins.

Mr. Bajaj, a resident Indian, has to overcome an Indian Fi-

nance Ministry ban on scarce foreign exchange being used by Indian businessmen to buy foreign-held stakes in Indian companies. He has solved the problem by using Merrill Lynch to organise institutional investors prepared to back him. Merrill Lynch has initiated the contest for such bids after arranging an international launch last year for the India Fund on behalf of the public sector Unit Trust of India.

The UK-based Hinduja family, which originates from India and has wide-ranging international trading interests in the Middle East and elsewhere, has also submitted a bid which would give it its first manufacturing base in its home country. It is believed also to be in talks with Iveco.

The Hinduja family is not affected by the Finance Ministry ban because it has official non-resident Indian status and has funds abroad to use.

The offers were submitted se-

cretly in London on Wednesday night after several days of negotiations between the bidders. Wednesday was the original deadline for the bids, but this has been extended for ten days at the request, it is believed, of General Motors and Hino. Roy Lynch has initiated the contest for such bids after arranging an international launch last year for the India Fund on behalf of the public sector Unit Trust of India.

The Leyland-Daf commercial vehicle group, which early this year excluded Leyland's Indian interests - a 30 per cent stake in Ashok Leyland and 51 per cent in Ennore Foundries, both based in the southern city of Madras.

At that time Daf did not want to take on the Indian operations. With an output of more than 16,000 trucks and buses a year, they are larger than Leyland in the UK and about equal to Daf's own business. This view has now changed, which means that Daf is having to offer a higher price.

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The Carter Organization, Inc.

has been acquired by

The VPI Group PLC

We acted as financial advisor to Donald C. Carter, sole stockholder of The Carter Organization, Inc.

Goldman Sachs International Corp.

October 2, 1987

BANCA COMMERCIALE ITALIANA

Joint Stock Company Headquarters in Milan
Registered at the Milan Registry - Reg. no. 1274
Capital Lire 1,000,000,000 - Legal Reserve Lire 1,000,000,000
Bank of National Interest

Substitution of certificates in circulation representing ordinary shares

Notice is hereby given that with the effect of 1st October 1987 ordinary shares certificates in circulation carrying coupons no. 28, 29 and 30 will be substituted with new certificates carrying coupons no. 28 up to no. 47.

From 1st October 1987 to 31st December 1987 the substitution will take place at any of the Authorized Agents indicated below, subsequently exclusively at any Branch of Banca Commerciale Italiana.

The new shares will be made available, when possible, at Monte Titoli S.p.A.

In accordance with the Stockbrokers' Managing Committee of the Milan Stock Exchange, the October and November 1987 settlements will be carried out with old and new certificates whereas the December settlement will be carried out with new certificates only.

As from 1st January 1988 shareholders' rights shall be exercised exclusively through presentation of new certificates.

Authorized Agents:

Banca Commerciale Italiana, Credito Italiano, Banco di Roma, Banca Nazionale del Lavoro, Banco di Sicilia, Banco di Napoli, Istituto Bancario San Paolo di Torino, Monte dei Paschi di Siena, Banco di Santo Spirito, Banco di Sardegna, Monte Titoli S.p.A.

KANSALLIS-OSAKE-PANKKI

Y10,000,000,000
Subordinated Reverse Floating Rate Notes due 15th August, 1991
For the six months 17th August, 1987 to 15th February, 1988 the Notes will bear interest rate factor at 3.9980%. Y39,980 will be payable on 15th February, 1988 per Y1,000,000 principal amount of Notes.

KANSALLIS-OSAKE-PANKKI

Y10,000,000,000
Subordinated Reverse Floating Rate Notes due 5th September, 1991
For the six months 7th September, 1987 to 7th March, 1988 the Notes will bear interest rate factor at 4.1763%. Y41,763 will be payable on 7th March, 1988 per Y1,000,000 principal amount of Notes.

KAWASAKI STEEL CORPORATION

Y10,000,000
Reverse Floating Rate Notes due 5th September, 1991
For the six months 8th September, 1987 to 7th March, 1988 the Notes will bear interest rate factor at 4.0269%. Y40,269 will be payable on 7th March, 1988 per Y1,000,000 principal amount of Notes.

Yamaichi International
(Europe) Limited
Reference Agent



HALIFAX BUILDING SOCIETY

£150,000,000
Floating Rate Loan Notes
Due 1995 Series A1

Interest Rate 10.205%
Interest Period 31st December 1987 to 31st October 1987

Interest Amount £4,124,124
£ 4,124,124
£150,000,000
Credit Rating First Rating Limited

Sumitomo Bank Ltd
U.S. \$30,000,000.00

Redeemable Negotiable Floating Rate
Dollar Certificate of Deposit
Due 9th November 1988
Callable at the Issuers Option
on the 9th November 1987

In accordance with the terms set out in the Certificates Sumitomo Bank Ltd have elected to exercise their Call option. The Certificates will therefore mature on the 9th November 1987, and payment will be effected on the Principal amount plus interest at 7 3/4% p.a. at Sumitomo Bank Ltd, London.

Sumitomo Bank Ltd
London Branch

£75,000,000
Yorkshire International Finance B.V.
Guaranteed Floating Rate Notes due 1994
Guaranteed on an unsubordinated basis by



Yorkshire Bank PLC

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 30 September 1987 to 30 December 1987 the Notes will carry an interest rate of 10 1/2% per annum with a coupon amount of £130.11 per £5,000 Note.

COUNTY NORTHWEST
Agent Bank

UK COMPANY NEWS

Wide share ownership is not a Eurotunnel aim

BY RICHARD TOMKINS

Eurotunnel, the Anglo-French Channel tunnel venture, yesterday made it clear that the widening of share ownership would not figure among its objectives when it was floated on the stock market next month.

It said it was anxious that private and institutional investors should receive sensible allocations in the share offering. With only about 275,000 worth of stock to be sold, it was therefore likely that the initial number of shareholders would fall well short of 1m.

In the event of a heavy response, a ballot would be held to eliminate a proportion of the applicants rather than making a large number of small allocations, the company said.

These first details of the share offering emerged as Eurotunnel launched its UK marketing programme for the issue. The French campaign will begin in mid-October.

In the UK, an advertising campaign will begin today in the press and on television inviting people to find out more about the offer from the company's share information office. The television advertisements will flash a warning to viewers that an investment in Eurotunnel carries a significant degree of risk.

The issue will be unusual in several respects. It will be the first simultaneous combination of a public offer for sale in the UK and France, and it will invite applicants to subscribe for shares in a venture which is not due to come into revenue-earning operation until 1993.

Further, the offer will be of units, not of shares. Each unit will comprise one share in Eurotunnel plc and one share in Eurotunnel SA, respectively the British and French joint partners in the venture.

S.G. Warburg, one of Eurotunnel's UK advisers, said multiple applications would be discouraged but not outlawed. Because of the likely pattern of allocation, one big application would be more likely to succeed than many small ones, the bank said.

About £300m worth of the stock will be offered in the UK and a similar sum will be offered in France, with the remainder being placed in other international markets. The pathfinder prospectus will appear in early November, the final prospectus will follow in mid-November, and the offer will close at the end of the month.

Applicants will not be given the incentive of paying for the stock in instalments. However, travel perks for private investors are planned, and details of which will emerge in the next few weeks.

Fords buys 51% of AC Cars for £1.3m

By John Grimms

Ford plans to spend £1.3m acquiring a 51 per cent stake in AC Cars, the small British company which once produced the legendary Cobra sports car. The move, coming less than four weeks after Ford acquired a 75 per cent holding in Aston Martin Lagonda, sent a buzz of speculation through the motor industry about Ford's intentions towards the specialist car sector.

Ford refused to comment on the grounds that shareholders in publicly-quoted AC Holdings, financial services group, from which it intends to buy the stake, would not vote on the offer until October 21.

The purchase is being recommended by AC Holdings directors.

The puzzle arises because, like the Aston Martin purchase, Ford appears to be buying primarily another name.

AC Cars has not produced cars for sale for several years, although it has made several prototypes of an open sports car, one of which appeared on the Ford stand at last year's UK motor show.

However, the car is a joint development with Autokraft, privately-owned company based on the Brooklands industrial estate in Surrey, which holds the minority stake in AC Cars.

To complicate matters further Autokraft makes a replica of the Cobra and is authorised to use the Cobra name. The company has produced each year in the US, where they are sold through Ford dealers.

Ford refused to say what a majority stake in AC Cars might mean for Autokraft's own activities and the use of the AC or Cobra names. Mr Brian Anglin, Autokraft's managing director, was unavailable for comment.

AC Holdings has had a chequered history in the past few years. It was known as AC Cars until February last year, when a controlling interest was bought by Mr William West, a stockbroker, for £1.9m. It changed its name in September last year to reflect its new-found dependence on renting commercial property for most of its profits.

Part of the site at Thames Ditton, Surrey, where it had formerly produced cars like the AC Cobra and Cobra, together with invalid carriages, was sold at the beginning of this year.

Mr Geoffrey Parker, former chairman and chief executive of European Forries Group, is injecting £500,000 into Highland Participants and joining the board as chief executive.

Highland is making an agreed bid for A & F Apple, listed ship-repairer, which owns a half share in the port of Falmouth. As part of the deal, which is the brainchild of Mr Peter de Savary, the merged group will acquire the whole of the port.

Clay Harris examines ABF's bid for S & W Berisford

The not-so sweet war for sugar

THE TWO-year phoney war over S & W Berisford is over. It remains to be seen whether yesterday's hostile bid by Associated British Foods, valuing the company at £267m, will cut the Gordian knot and resolve the future of Berisford's British Sugar subsidiary once and for all.

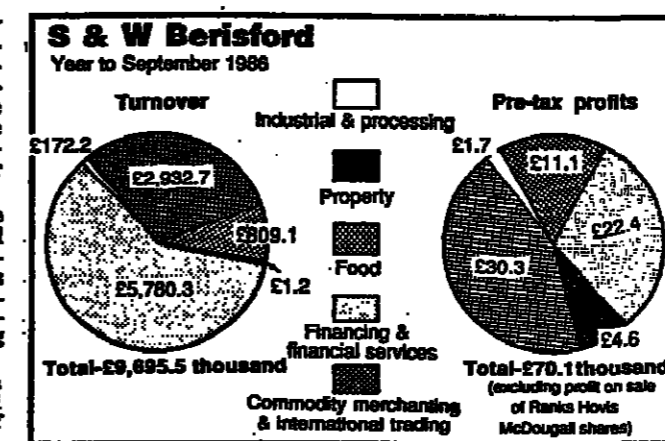
It is certain, however, that the ABF bid will provide a critical test for Berisford's effort in recent years to strengthen its management and expand its activities from the traditional reliance on beet sugar refining and commodity trading.

But the biggest question is whether the Government will countenance any change of ownership in an industry as politically sensitive as sugar. Only seven months ago, rival bids for Berisford by Tate & Lyle, the UK cane sugar refiner, and Ferruzzi of Italy, like Berisford an agribusiness group whose sugar business is based on the EC-favoured beet, were blocked by the Monopolies and Mergers Commission.

Both companies have since sold their shareholdings - Ferruzzi to ABF and Tate to hands friendly to Berisford. The facts that Tate is not involved this time, and apparently neither has any objection to ABF's own British Sugar nor sees any need for another Monopolies inquiry, could prove decisive.

Although the Office of Fair Trading did not object, after investigation, to ABF's current 23.7 per cent stake, the full bid will face closer scrutiny, especially with a loudly objecting incumbent management.

Political considerations aside, the two sides in the latest takeover battle could hardly have more starkly differing visions of Berisford's future. Mr Gerry Weston, ABF chairman, said Berisford should focus on its food activities, a definition he does not stretch too widely.



into the adjoining fields of agribusiness. Berisford management, he said, is dominated by directors with the mentality of commodity traders, property developers and US arbitrageurs (a reference to the Pritzker brothers of Chicago who joined the board yesterday). What British Sugar lacks and needs, Mr Weston argued, is the industrial and manufacturing approach to its core business that a food giant like ABF would bring.

British Sugar's operations are not dissimilar to ABF's milling and baking activities, he said. The group's retail brands include Sunblest, Allinson's and Vite bread, Burton biscuits, Ryvita crispbread and Twining tea.

ABF would concentrate on the "practical side of the food business but not the pie-in-the-sky business," Mr Weston said. He dismissed Berisford's more ambitious plans (like using beet straw for paper or fuel) and the creation of Bristar as a separate agribusiness vehicle.

Mr Henry Lewis, Berisford deputy chairman, rejected the diagnosis: "We believe we have a management and a strategy

that has got itself in a position to progress this business very rapidly." Mr Lewis, former joint managing director at Marks and Spencer, is increasingly the public voice of Berisford as one of the phalanx of new managers brought in to bolster the veteran chairman, Mr Ephraim Margulies.

"This bid is about management," Mr Lewis said yesterday. "Mr Margulies is the unquestioned leader of this team and is a man of considerable talent, but he hasn't gathered around him a group of people to sit and watch."

Among the new faces are Mr Peter Jacobs, formerly of Mars, British Sugar's managing director, and Mr Philip Aaronberg, formerly of Arthur Andersen, now Berisford's chief financial officer. Promoted from within were Mr Melvyn Anaher, in charge of property, and Mr Howard Zuckerman, heading up US operations.

He defended Berisford's rapid move into property both in the UK - it owns Midland Montagu's new Thames-front premises and the former Billingsgate fish market and Tate's own

headquarters at Sugar Quay - and the US.

The very diversity of the group allowed it to absorb the recent problems of the commodity trading side, he said. Berisford's share price started yesterday at 348p, almost exactly the price which Tate received for its 14.99 per cent stake in a deal agreed only two weeks ago. Tate sold the shares for £100m to Berisford directors and the Pritzker family, owners of the Hyatt hotel chain and the US airline Braniff.

The Pritzkers hold about 11 per cent of Berisford, joining a defensive alliance which also includes US-based W.R. Grace, which is shortly due to receive about 7m Berisford shares as part payment for the cocoa-processing joint venture recently established by the two companies.

Tate suggested yesterday that ABF probably could have bought the stake for a price close to the 350p it was seeking or the 348p it accepted because of the promise of prompt payment by Charterhouse Bank, Berisford's financial adviser which co-ordinated the Pritzker purchase.

Tate, a bit chagrined that the shares it sold two weeks ago are now worth £15m more at the offer price and £22m more in the market, indicated that it would have been willing to drop the condition that ABF sell its part of British Sugar's assets. Mr Weston said, however, that no figure had ever been mentioned in his talks with Tate.

Speculation in London, meanwhile, centred on the Pritzkers, caught up in a hostile bid battle within days of making their first major UK investment. Although there were informed immediately of the development, they appeared last night to be relying on the local experts to chart the course of Berisford's defence.

HTV jumps 32% to £11.9m

HTV, the television programme contractors, increased pre-tax profits by 32 per cent from £9.01m to £11.9m on group turnover up from £113.57m to £116.61m for the year ending July 31 1987.

The directors are recommending a final dividend of 6.6p (5.7p) making 9.2p (8.5p) for the year. Earnings per 25p share increased 57 per cent to 37.08p (23.57p) with attributable profits of £7.67m (£4.88m). Taxes amounted to £4.24m (£1.13m).

Around 95 per cent of operating profits - £10.4m (£8.7m) - came from the television sector after payment of an Exchequer Levy of £5.18m (£1.2m). Fine art contributed £546,000 (£537,000) and television advertising £230,000 (£230,000). Investment income (less interest payable) came to £1.17m (£198,000).

The directors said that the

stationary activity has been run down since September last year with the realisation of assets and settlement of all obligations.

There was an extraordinary credit of £2.53m (£4.25m loss) relating to provision made in July 1986 for the diminution in value of assets and other related commitments. The realisation operation is almost complete and £2.53m is not required due to containment of losses to an estimated £1.78m. The directors note that this result was attained while providing enhanced benefits to members of the Dataday pension plan.

It is fair to say that Mrs Thatcher is not exactly HTV's favourite person right now. The company's overseas sales fell from £7.3m to £2.74m following the Government-imposed levy

on exports announced in April 1986, just days before HTV won the Queen's Award for Export.

The downturn in foreign sales, and consequent increase in the domestic levy due to higher profits on this side, resulted in yesterday's figures being slightly below City expectations and the shares dropped 18p to close at 378p.

On the good news side, HTV has maintained, at 6.45 per cent, its share of the advertising market, no mean feat considering the moves concentrating investment in the south east. In addition, the company has sorted out the Dataday daily publishing subsidiary, resulting in £2.52m of last year's £4.25m extraordinary debit not being required and now appearing as an extraordinary credit. Assumptions of pre-tax profits for this year of between £14m and £15m produces a prospective p/e of 8, jolly good value.

Pearson warning on new stake

BY RAYMOND SNOODY

LORD BLAKENHAM, chairman and chief executive of Pearson, yesterday warned that new large shareholdings in the information, banking and china group were unwelcome.

The statement from Lord Blakenham came after his first meeting for ten years with Mr Rupert Murdoch, chief executive of News Corporation, who last month unexpectedly spent about £250m in acquiring a 14.7 per cent stake in Pearson.

It remains Pearson's consistent policy not to be too closely identified with any one company as a shareholder, Lord Blakenham said. The company believes that stakes as large as 15 per cent are inherently destabilising - too small to give a real measure of control, too large to be passive long-term investments.

At the private luncheon meeting at Pearson's Millbank Tower headquarters in London, no concrete proposals for possible joint ventures were raised. The meeting was, however, said to be friendly, and Lord Blakenham

made it clear that Pearson stands ready to consider favourably any commercial initiative that would be in all its shareholders' interests.

After the meeting, Mr Murdoch, who controls five national newspapers in the UK, said he intended his stake to be a long-term investment and reiterated that he had "neither the desire nor the intention" to take control of Pearson. Mr Murdoch added that he hoped to be supportive of the management and the company as a whole.

There was little in yesterday's meeting to encourage such a close relationship, but it is likely that both men will meet again, and that commercial joint ventures, particularly in newspaper and book-publishing areas, are far from ruled out. No date, however, has been set for a further meeting.

Meanwhile, the Press Council yesterday welcomed the assurance from Lord Young, Trade and Industry Secretary, that any take-over bid for the Financial Times would have to be referred to the Monopolies Commission.

The Office of Fair Trading will almost certainly consider the purchase of Martins, the 1,000-strong newsagent chain, by an Australian consortium, in which Mr Murdoch has a one-third interest. The OFT normally considers any change of ownership involving assets in excess of £20m; the Martins deal was worth more than £200m.

Apart from the asset limit, the OFT can also look at deals which increase the vertical integration in an industry. Mr Murdoch, apart from publishing newspapers, has an interest in TNT, the transport company which distributes his newspapers. Now, in many parts of the country he also has an interest in the final link of the newspaper chain - the newsagent who sells papers to the public.

Etam exceeds £5.5m midway

BY ALICE RAWSTHORN

Etam, fashion retailing group, yesterday announced a 45 per cent increase in pre-tax profits to £5.5m for the first half of the year, following a period of unexpectedly buoyant sales growth.

In the first half of the year Etam staged two acquisitions: of Snob, the womenswear fashion store, and Peter Brown, the menswear retailing group. The company has now completed its review of the two new businesses and, once it has assessed the results of running experimental units, it intends to refit and expand both chains.

Peter Brown will be positioned to appeal to the male counterparts of Etam's 20-to-30-year-old women customers. The business should be extended from 28 to more than 100 shops. Snob will be redesigned to appeal to the older teenage market, thereby strengthening the customer catchments of the

established Etam and Tammy shops. The Snob chain will be expanded from 14 to 50 units. Both the Etam and Tammy chains experienced healthy sales in the six months to August 15. Group turnover rose to £49.6m (£36m). This was partly a reflection of healthy demand and partly of the group's recovery from a weak spring/summer season last year.

Trading profits rose to £5.54m (£3.8m). Taxation deducted £2m (£1.5m). Earnings per share increased to 6.7p (4.5p) and the board declared an interim dividend of 1.55p (1.3p).

Mr Alan Howard, group chairman, said that the trend of buoyant sales growth had continued into the second half, which was traditionally the most profitable part of the year.

For years Etam has been dismissed as an efficient, but unexciting retailer rapidly approaching stagnation in its established markets with no immediate prospect for growth elsewhere. Earlier this year it countered its critics by buying Snob and Peter Brown, both of which offer scope for growth in new, if far from unfamiliar territory. By pitting SNOB against Top Shop and Peter Brown versus Top Man, the group is venturing into the fiercely competitive provinces of the Burton Group. Etam's record suggests that it has the administrative ability to manage new businesses. Whether it has the imagination to succeed in these spheres remains to be seen. The strength of sales growth so far in the second half has prompted an increase in profit projections for the present year to £17.5m. The shares are thus on a modest premium of 17p, fairly valued, at least until the new ventures bear fruit.

Cowells improves to £0.35m

Cowells, USM-quoted specialist printer, lifted pre-tax profits by 20 per cent from £283,000 to £333,000 on turnover ahead from £4.6m to £4.5m in the first half of 1987.

The declared interim dividend remains unchanged at 1p and after tax of £120,000

(£114,000) earnings per share moved up from 2.4p to 3.2p. The directors reported that current trading was continuing to meet expectations and that they were optimistic that the outcome for the year would be satisfactory. The growth in security prod-

ucts had been particularly strong, with several large contracts being undertaken during the period. Order books were looking good, as were prospects of one or two major projects beginning to bear fruit. Financial printing was proving successful.

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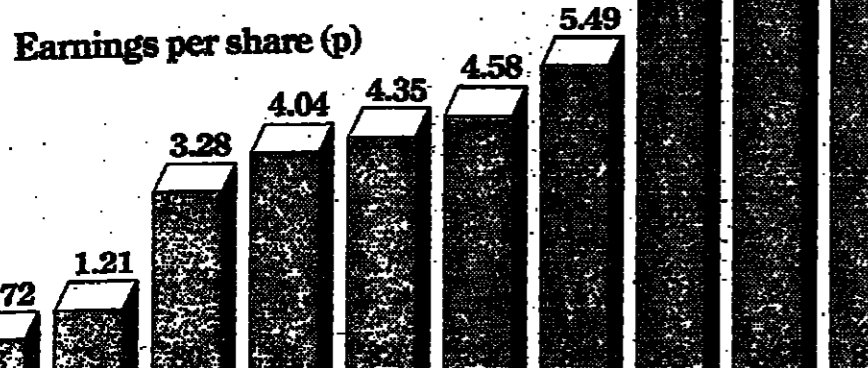
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- ★ Further expansion, especially in CALA Finance
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This announcement appears as a matter of record only.

Following the recommended offer on all ordinary shares of Kluwer nv with the intention to enter into a complete merger

Wolters Samsom Groep nv

has acquired a majority interest in

Kluwer nv

and has changed its name into

Wolters Kluwer nv

The undersigned acted as financial advisor to Wolters Samsom Groep nv in this transaction.

BANK MEES & HOPE NV

August 1987

UK COMPANY NEWS

Paul Cheeseright considers the floating of Stanhope Properties on the USM
Christmas comes early for the market

The Felixstowe Dock and Railway Company

Interim Results

The profit before taxation for the six months to 30 June 1987 was £3,659,000 (1986: £3,586,000). The profit after taxation was £2,378,000 (1986: £2,241,000).

The interim dividend on the 6.5% Cumulative Redeemable Preference Shares was paid on 1 July 1987.

The annual dividend on the 5% Cumulative Redeemable Participating Preference Shares was paid on 1 July 1987.

The Directors do not propose to pay an interim dividend on the Ordinary Stock.

European House,
The Dock,
Felixstowe IP11 8SY

1 October 1987

Profit and Loss Account

For the six months ended 30 June 1987

	six months to 30 June 1987	six months to 30 June 1986	year to 31 December 1986
Turnover	£'000	£'000	£'000
Net operating costs	(25,384)	(22,017)	(45,972)
Operating profit	5,429	4,344	8,253
Interest payable less receivable	(1,770)	(758)	(2,711)
Profit on ordinary activities before taxation	3,659	3,586	5,542
Taxation on profit on ordinary activities	(1,281)	(1,345)	(2,414)
Profit on ordinary activities after taxation	2,378	2,241	3,128
Dividends (note 1)	(833)	(829)	(1,577)
Profit for the period retained in this account	1,545	1,412	1,551
Earnings per £1 of ordinary stock	44.2p	40.4p	44.4p

Notes

1 Dividends paid, proposed and accrued are as follows:

	six months to 30 June 1987	six months to 30 June 1986	year to 31 December 1986
6.5% Cumulative Redeemable Preference Shares	(650)	(650)	(1,300)
5.0% Cumulative Redeemable Participating Preference Shares	(183)	(179)	(277)
Ordinary Stock	(833)	(829)	(1,577)

2 The figures for the year to 31 December 1986 are based on the audited accounts for that year on which the auditors gave an unqualified report. The six months results are unaudited.

1837 P&O 1987

STANHOPE PROPERTIES, the company founded and controlled by Mr Stuart Lipton, is to make its long-awaited market debut with a tender offer of 10 per cent of its equity which should give it a market capitalisation of £200m.

At a minimum tender price of 180p a share 11.1m shares are being sold to realise at least £200m.

The proceeds would bring net tangible assets to a total of £130.7m, giving, on a fully-diluted basis, a net asset value on each of the 11.1m shares in issue of 118p.

All this has been a little like Christmas for stock market people. They knew it was coming but did not know what it would bring. For more than a year speculation has been rife that Stanhope would come to the market in one way or another.

It was not long ago that any time a bid was mooted for a property investment company the name of Lipton was being linked with it. He needs a market quotation, he will use this or that company to reverse Stanhope in, was a familiar line of argument.

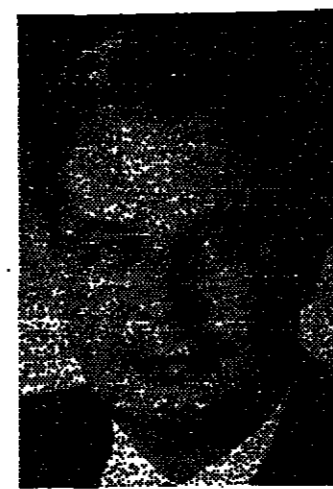
S.G. Warburg Securities, which is handling the issue believes that the straight tender

offer is the cleanest way to bring Stanhope to the capital markets. Had there been a reverse takeover Stanhope would have been left with a portfolio of properties in which it probably would not have been interested, given its penchant for big developments.

Stanhope, then, goes to the Unlisted Securities Market. Its trading record, back to 1983, is not long enough to permit it to go for a listing. That will come later.

But the new shareholders are not being offered a stream of huge dividends. Revenue earned will be ploughed back into development and if there are dividends they will be of a nominal amount, the company has made clear.

"We're offering shareholders assets. What we're about is asset growth," said Mr Lipton. Those assets are in fact being created and the main stream of company income is currently coming from project management fees - turnover of £2.4m and pre-tax profits of £0.5m in the year to last June. Gradually the fees should be superceded by rental income from completed development projects and that will produce the dividends.



Stuart Lipton, chief executive of Stanhope Properties

Where there is rental income, it is coming from its 50-50 joint venture, Rosehaugh Stanhope Developments, and it is not consolidated in the accounts. Stanhope, Mr Lipton stressed, is not a property trading company like Mounfield.

Potential long-term share-

holders will be buying a promise. They will be backing the record of the Lipton team and assuming that it will perform.

Mr Lipton has been developing property since the 1980s. He and his partners at Sterling Land sold to Town and City, most by luck than judgment, just before the 1973 crash. He built up Greycoat with Mr Geoffrey Wilson before suddenly leaving in 1983 to take a year off and think about things.

The main result was the conclusion, that, in property, buildings had to be tailored to the needs of the customer, not to the needs of the agent or the insurance company which might invest. He took that with him to Stanhope, founded in 1984. Stanhope built up assets from £73,000 in the year to June 1984 to £42.5m by June 1987. A revaluation, by Debenham Tewson and Chinnocks, of Rosehaugh Stanhope produced a further share attributable to Stanhope, of £89.9m. Add the proceeds from the share issue and the Stanhope assets come to £130.7m.

This provides the clearest evidence of the significance of Rosehaugh Stanhope to Stanhope. The joint venture is effectively

a marriage of the financial acumen of Mr Geoffrey Bradman at Rosehaugh with the Lipton vision of development.

It is the joint venture that is working on the money-spinning Broadgate, the biggest commercial office development in the City of London, on another of the project at Holborn Viaduct Station, and on Blackwall Yard and the Royal Docks in London Docklands.

On its own account, apart from project management at Stockley Park near Heathrow, Beaufort House and Paternoster Square in the City, Stanhope is working up projects for London Wall in the City and for a new commercial development on the South Bank of the Thames in the Royal Festival Hall area.

All the developments are in and around London. Mr Lipton has a simple rule. If you cannot drive to the site in 45 minutes, you should not do the development. It is the hands-on approach.

And it is his style, as befitting the man who will retain 53 per cent of the equity, that permeates the company - find the site, anticipate the long-term demand, minimise the risk, get the right designs and build fast.

Butte for market with £60m value

BY RICHARD TOMKINS

Butte Mining, a company planning to exploit silver, gold and base metal interests which it owns in the US state of Montana, is coming to the London stock market through a placing which will value it at £60m.

Stockbroker T.C. Coombe is raising 18m shares, or 10 per cent of the enlarged equity, at 100p a share. Two-thirds of the £18m proceeds will be applied to the exploitation of the mining prospects and the remaining third will go to existing share-

holders who are selling their shares.

Butte Mining owns the rights to develop and exploit an area of about 1,500 acres around the city of Butte in Montana. The prospectus says the area contains established ore reserves and a pre-tax profit of over £157m (£84.5m).

The prospects were previously owned by The Anaconda Mining Company which extracted many of its base metal prices from them until 1983,

when it was bought by Atlantic Richfield. Butte Mining now plans both to re-open previously established operations and to initiate further development and exploration.

As a start-up venture, Butte Mining has no track record and the prospectus warns that the company's operations carry a high degree of risk. The possibility of delays to the extraction of recoverable reserves and adverse shifts in base metal prices are cited as examples.

Research into the prospects has been carried out by Robertson Research, an international mining consultancy the parent of which, Robertson Research (Singapore), will hold nearly 17 per cent of Butte.

Mr Roy Bichan, non-executive chairman of Butte (and chief executive of Robertson Research), said Butte was being floated in the UK instead of the US because most of the board and many of its shareholders were British.

Goodman Intl in double acquisition

BY MARTIN DICKSON

Goodman International, the large, privately-owned Irish meat processor and exporter, has this week reached agreement on two strategic acquisitions in the food sector.

It is buying 68 per cent of the shares in The Merchants' Warehousing currently held by R. & H. Hall (£2.8 per cent), Barnett Group (£4.4 per cent) and W.P. & R.O. Holdings (£7.7 per cent) at a

price of 112.5p (112p) a share. It is making a mandatory offer under the Takeover Code for the rest of the shares but intends to maintain Merchants' listing and the company's board, which approves the share change, recommends shareholders not to accept the offer for the outstanding equity.

Goodman intends to develop Merchants' core cold storage

and distribution operations but believes that the acquisition also offers good opportunities in the UK and continental food exporting business.

Retaining the quote will also give Goodman an opportunity to get to know Goodman, which was founded in 1988 by its chairman and chief executive, Mr Laurence Goodman, and is

owned by his family's interests. This week Goodman has also agreed to buy Munch Norton, Ireland's largest malting, for \$9.8m. The deal will take Drummonds & Dolans, the grain division of Goodman, into the malting industry. The move follows strategic review by Goodman last year which has led to an increased emphasis on added value.

Felixstowe Dock profits rise

The Felixstowe Dock and Railway, the ultimate holding company of which is P & O, yesterday reported pre-tax profits up from £3.55m to £3.66m for the half year to June 30.

Turnover for the period was £30.51m (£28.38m) and operating costs £25.38m (£24.02m) leaving a net operating profit of £5.43m (£4.34m). Interest payable, less receivable was £1.77m (£739,000) and tax took £1.98m (£1.35m).

Dowding & Mills 35% ahead

RECORD SALES, profits and earnings per share were announced yesterday by Dowding & Mills, Birmingham-based electrical and mechanical engineer, for the year to end-June 1987.

Furthermore, the current year had started well with improvements being seen in all sectors.

For 1986-87 the enlarged group raised its turnover from £28.38m to £30.51m and saw its profits rise by £1.44m to £5.58m

pre-tax. Earnings per 10p share rose to 4.1p (3.86p) and a final dividend of 1.12p (1p) raises the total from 1.58p to 1.76p. Taxes amounted to £2.12m (£1.56m).

Mr Peter Hollings, the chairman, said the 35 per cent profit advance was achieved in the face of subdued industrial activity and mainly stemmed from improved profitability from acquisitions.

Bootham Engineers, acquired last year, contributed over £1m

to group profits and further improvements should be achieved this year. Of the other acquisitions Electric Motor Services made a useful contribution to profits and although Mannings Marine made a small loss, management efforts should ensure its contribution to earnings this year.

Capital investment for the past year at £2.9m was similar to that of 1985-86 and helped develop and expand group facilities.

Lawtex slips 10% to £300,000

THE COSTS of reorganising its Irish-based leisurewear operation resulted in Lawtex suffering a 10 per cent fall in pre-tax profits to £302,000, against £334,000, in the year to June 27 1987.

Turnover of this Oldham-based clothing and umbrella manufacturer fell to £19.56m (£21.5m) as a result of the sale of its workwear division during the period. Operating profits came out at £291,000 (£244,000).

Earnings per share were lower at 6.5p (7.5p) and the direc-

tors are recommending a maintained final dividend of 1p for an unchanged total of 2p.

The net proceeds from the sale of the workwear division, amounting to £218,000, were taken as an extraordinary item.

Mr Peter Schaefer, chairman, said the umbrella sector was again soundly profitable. The weather which had been dry last autumn and early spring was balanced by a wet winter and summer.

He added, however, that the summer rain which had helped

umbrella sales had dampened demand for the spring/summer lines in baby products and leisurewear.

Baby products expanded substantially and the range of major customers was broadened. Progress was made in establishing a branded line for smaller chains and speciality outlets.

Mr Schaefer said he thought the reorganisation in the leisurewear division would improve the company's position in the fiercely-competitive market.

COMPANY NEWS IN BRIEF

BRYSON OIL & GAS is acquiring the Torrid Energy Company of Dallas for 1.433m Bryson shares. Torrid will become Bryson's oil and gas unit.

Mr Delo Caspary, Bryson's chairman, said that after the acquisition reserves would amount to 2.16m barrels of oil and the acquisition by equivalent to total reserves of 3.489m barrels of oil, against 338,000 last November.

CARLISLE, CAPSEL and Leonard has acquired C and M Property Investment and its subsidiary Quest Petroleum for £1.49m in shares and cash. Quest and Enagro distribute automotive fuels and heating oil in the West and North Midlands.

UPL has conditionally agreed to buy Robinski & Co, a distributor of foods to delicatessens, for £1.25m. Robinski broke even in the year to June on turnover of £25.5m.

MERCANTILE HOUSE: the Government has decided not to refer to the Monopolies Commission the acquisition by Quadrax Holdings of Mercantile's wholesale broking division.


JOHNSON HATHAY has sold Palmer Research Laboratories to Associated Ocel for £1m. The sale is a further step in Johnson's rationalisation of non-core activities. OCELVN has taken a majority interest in Clowance, a West

Country time ownership resort. STODDARD HOLDINGS: the final number of conversion notices received for its 10 per cent cumulative convertible redeemable preference shares was 98.4 per cent. The board says the level of conversion endorses its view the company is moving towards realising its full profits potential.

AAF Investment Corporation: The rights issue was taken up in respect of 98.4 per cent of the shares on offer.

GORDON RUSSELL has bought isoplan manufacturers of executive and systems furniture, in its first acquisition since going public. QUEENSBURY HOMER: Over 95.1 per cent of the shares on offer in the rights issue have been taken up and the remainder have been sold in the market at a premium.

New Issue This announcement appears as a matter of record only. October 1, 1987



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YAMAICHI INTERNATIONAL (DEUTSCHLAND) GMBH		

DIVIDENDS ANNOUNCED					
	Current payment	Date of payment	Corres- ponding div	Total for year	Total last year
Cowells \$	int	1	Dec 2	1	3
Dowding & Mills	int	1.15	Nov 23	1	1.78
Empire Stores	int	1.65	Nov 16	1.5	4.75
Etam	int	1.55	Jan 5	1.3	4.7
Galliford	int	4.11	Nov 20	3.8	5.351
RTV	int	8.6	Nov 20	3.7	8.5
Jacob (W&R)	int	2.6	Nov 20	2.5	7
Laing	int	4	Nov 20	3.5	8
Lawtex	int	4	Jan 2	1	2
P&W Maclellan	int	0.7	Nov 20	0.7	1.9
Melrose	int	1.6	Nov 30	1.3	2.6
Parrish	int	1	Nov 20	nil	nil
Regina Health	int	0.28	Nov 25	0.28	0.28
Rivlin	int	0.35	Nov 20	nil	0.27
Scott's Rest	int	3.3	Nov 20	3.3	3.3
Thorp Dual	int	3.5	Nov 25	3.25	4.25
Triplevest	int	7.47	Nov 25	6.57	12.98

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing scrip issue. 10m capital increased by rights and/or acquisition issues. 10m stock, 10m quoted stock. 10m Third market, 10m currency

 **Galliford**

PRELIMINARY RESULTS

Results for year ended 30 June

	1987	1986
Turnover	£123.64m	£107.93m
Profit before tax	£4.63m	£3.19m
Earnings per share	8.64p	5.98p
Dividends per share	5.35p	4.8p

Profits and earnings per share increased by 45%.

The proposed dividend increase of 11% is the 18th year of successive increases.

An increase in authorised capital and a one for one scrip issue is proposed.

Mr Peter Galliford commented:
"The Group has the confidence to plan for aggressive growth, both organically and by acquisition."

Copies of the Report and Accounts will be available from 26th October 1987 and may be obtained from The Secretary:

GALLIFORD PLC
WOLVEY HINCKLEY LEICESTERSHIRE

All of these securities having been sold, this announcement
appears as a matter of record only

29th September 1987

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UK COMPANY NEWS

Philip Ling creates new £80m engineering group

BY CLAY HARRIS

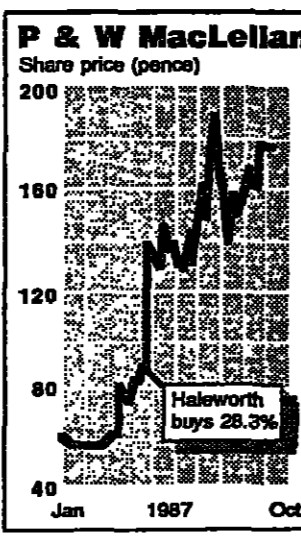
MR PHILIP Ling, an innovative architect of management buy-outs and buy-ins, yesterday brought three of his creations together into one quoted engineering group with an estimated market capitalisation of about £80m.

In what Mr Ling described as a "double reverse" takeover, two private companies, Haden and Halesworth Holdings, will be injected into the considerably smaller P&W MacLellan, owner of Spalding, the Lincoln-based agricultural products distributor. Mr Ling, executive chairman of MacLellan since May, will assume the same position at the new group, to be called Haden MacLellan Holdings.

With share capital more than five times the size of the existing MacLellan, it will combine Haden, a US-managed maker of paint-finishing and materials-handling systems for the motor industry, with Halesworth, a diversified engineering and distribution group. MacLellan will become a division of Halesworth.

"The Haden companies and the Halesworth companies are very different," Mr Ling said. "There's no pretence of synergy between the two." In their most recent half years, the three companies achieved aggregate pre-tax profits of £1.06m on sales of £39.5m.

Haden, by far the largest, lost £16,000 before tax on turnover of £24.6m in the first half of this year. Mr Ling said, however,



that the US motor industry - on which Haden depends for 80 per cent of its business - was poised for a cyclical upturn. The all-share deal, which is subject to the approval of MacLellan shareholders, values Haden at £40m, not including a deferred cash element of £16m, and Halesworth at £25m, compared with only £15m for MacLellan.

Shares representing about 30 per cent of the enlarged group have been provisionally placed by Barclays de Zoete Wedd at 150p (against MacLellan's suspension price of 176p) to raise

more than £22m for some of the Haden shareholders. MacLellan shareholders will be able to claw back the shares through an open offer launched yesterday by Schroders.

The creation of Haden and Halesworth marked milestones in the eventful career of Mr Ling, who became general manager of Johnson and Firth Brown, the Sheffield alloys and engineering company, in the mid-1970s while still in his late 20s. He left in 1982 to join London and Midland Industrial, which had bought several JTB subsidiaries.

Subsequently, as managing director of Haden, he led a successful management buy-out of the engineering company, which thwarted a £37m hostile bid from Trafalgar House in 1985. He moved from there last year to mount an unusual, and unsuccessful, management buy-in for Simon Engineering which valued the process plant contractor at £200m. In the meantime, he and ex-LMI colleagues had established Halesworth to buy 18 engineering companies (12 of them formerly part of LMD) from Williams Holdings, the industrial group.

In April, Halesworth bought 28.3 per cent of MacLellan to get Mr Ling's management foot in the door. Mr Ling will hold 3.7 per cent of the new company. His fellow executive directors, Mr Mel Hawley and Mr Clive Mayhead of Halesworth and Mr Art Geiger of Haden, will own a total of 5.5 per cent between them. All four accepted shares for their entire holdings in the two companies being acquired by MacLellan.

MacLellan yesterday reported interim pre-tax profits of £197,000 (£188,000) on turnover of £33.6m (£31.4m) from continuing operations. The interim dividend is unchanged at 0.7p. Halesworth, meanwhile, achieved a pre-tax profit of £128m on sales of £21.4m in the six months to May 31.

Regina Health beats forecast

Regina Health & Beauty Products, which came to the USM via a placing last March, has beaten its pre-tax profit forecast for the year to the end of June 1987, which represents a 75 per cent increase on the £230,000 for the previous year.

Turnover was 24 per cent up at £1.7m (£240,000) and the operating profit was £463,000 (£247,000). Net interest payable fell sharply to £513 (£16,745). Tax charged was £12,441 (£26,228), leaving earnings per share of 1.05p (1p).

The dividend is 0.284p, as forecast. Mr Irene Stein, chairman and managing director, said increased profits and earnings per share had been achieved by the continued growth of Regina's domestic and overseas business coupled with a broadening of existing Royal Jelly Health and Beauty products. This had been supported by highly-targeted promotional and direct mail campaigns.

She added that Regina products had recently been launched in Belgium, Holland, Switzerland, Finland, Hong Kong and Singapore. Distribution would be extended to West Germany, Italy, Norway, Cyprus, Australia and New Zealand. This was in addition to the aggressive promotional campaigns were meeting with success.

Hugo Dixon and David Lascelles on the revival of Henry Ansbacher

The rewards of patience

FOR A BANK which only two years ago was tottering on the brink of oblivion, Henry Ansbacher has made a remarkable comeback. The £70m rights issue announced yesterday will more than double its net assets and raise it into a league in which its ambitious management and long-suffering shareholders may finally see it making its mark.

The accompanying announcement of changes to the board of its merchant bank subsidiary should help put behind it the bad memories of last year's Guinness affair. Mr Mark Phythian-Adams has joined the board from Samuel Montagu as managing director for corporate finance, filling the position vacated by Lord Patrick Spens, who had to resign over the Guinness affair.

Mr John Gregory has been promoted to managing director for banking, replacing Mr Harry Saxon who resigned earlier this year. And two new non-executive directors, Mr Frederick Dahl, a former associate director of the Federal Reserve in Washington, and Mr Robert Hodes, co-chairman of Wilkie Farr and Gallagher, a New York law firm, are designed to add further weight to the board.

"Henry Ansbacher needs to be much larger," said Mr Richard Fenhalls, the chief executive who took over in 1985 after the bank was hit by losses from an ill-judged acquisition of a Wall Street investment bank. "We can now move on to the next phase." Ansbacher's recovery is largely due to the patience of Group's shareholders, including the Swiss-Belgian industrial and financial services group headed by Mr Albert Frère which invested £35m in Ansbacher and took a 75 per cent interest at the height of the crisis. Since then, GBL/Fargess has reduced its stake to 51 per cent by bringing in other shareholders such as Banque Internationale a Luxembourg, an associate of GBL, and Walra Interinvest of Kuwait.

These major shareholders, accounting for 73 per cent of the equity, have agreed to stamp up for the rights issue which will raise Ansbacher's net worth from £35m to £125m. Mr Robert Maxwell, a client of the bank who recently increased his stake to 9.9 per cent, is also said to be supportive of the issue. About £40m will be used to boost the capital of the merchant banking subsidiary to £72m, £7m will go to repay debt



Richard Fenhalls, left, chairman of Henry Ansbacher, and David Hudson, chief executive

This was not considered sufficient, even to service the bank's present clientele of small to medium-sized companies. It was not nearly enough to satisfy the bank's ambitions of widening its client base.

The extra capital will also mean Ansbacher's corporate finance team can take part in larger underwritings and have a bigger market presence. It would engage in a "different sort of business than that with which Ansbacher was previously associated," said Mr David Hudson, who joined the bank as chief executive three months ago.

On the insurance broking side, Ansbacher's eventual plan is to build up an international insurance broking group. This will consist of Seacope, its London wholesale operation, as the central hub with retail outlets in the US and Europe feeding it business.

Already Ansbacher owns 50 per cent of Adams & Forter, a US retail broker. Other retail outlets will be added as and when suitable acquisition opportunities arise. Mr Fenhalls is confident that further capital will be forthcoming from its shareholders if large acquisitions are needed.

There are also plans to expand into investment management, though Ansbacher is not yet prepared to divulge precisely how it is going to do this.

What the rebirth of Ansbacher appears to show is that it pays to have a sugar daddy in merchant banking. That is so long as you can get on with him, as Ansbacher seems to.

BOARD MEETINGS

The following companies have notified dates of board meetings in the last 14 days. Meetings are usually held for the purpose of considering dividends. Official notices are available as to whether the directors are interested in any shares or debentures of the company, or if any of the directors are interested in any shares or debentures of the company.

TODAY	Oct 7	Oct 8	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15
Interim: James Croft, Graham House, Ltd	Grampian Holdings	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke
Interim: James Croft, Graham House, Ltd	Grampian Holdings	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke
Interim: James Croft, Graham House, Ltd	Grampian Holdings	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke

FUTURE DATES

Interim: James Croft, Graham House, Ltd	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21	Oct 22
Interim: James Croft, Graham House, Ltd	Grampian Holdings	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke
Interim: James Croft, Graham House, Ltd	Grampian Holdings	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke
Interim: James Croft, Graham House, Ltd	Grampian Holdings	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke	Harrogate & Crayke

LEBOWA PLATS

Formerly Atok Platinum Mines (Proprietary) Limited
Registration No. 630614406
(Both companies incorporated in the Republic of South Africa)

Proposed rights offer of shares in Lebowa Plats to its members and a renunciation by RPH to members of RPH, Lebowa Development Corporation Limited ("LDC") and Nationals of Lebowa

It was announced on 28 July 1987 and 10 September 1987 that an agreement had been finalised in terms of which Lebowa Plats would investigate the establishment of a new mining operation on the farm Mandagashoek, expand the mining operations at the Atok mine and seek a listing on the Johannesburg Stock Exchange ("JSE"). In terms of the agreement RPH has transferred 7.5% of the existing equity in Lebowa Plats to the LDC in consideration for certain contributions and obligations. The existing shares have been converted to another class of shares that does not carry the right to participate in the undermentioned rights offer.

In order to finance the expansion of Atok's mining operations, Lebowa Plats will make a rights issue of 80 137 796 ordinary shares of 1 cent each to RPH (92.5%) and the LDC (7.5%). RPH will renounce its full entitlement to subscribe for 75% of the total issue as follows: (a) to RPH members, 68 926 217 ordinary shares (80% of the total issue) by way of a renounceable letter of allotment on the basis of 55 shares for every 100 shares held in RPH; (b) to the LDC, 4 307 859 ordinary shares (5% of the total issue) and (c) to Nationals of Lebowa, Lebowa National Education Trust, Lebowa Training Trust & 461 835 ordinary shares (in aggregate, 7.5% of the total issue).

The total amount payable by the renounees is 275 cents per share. Of this amount, 130 cents is payable to Lebowa Plats in terms of the rights issue and 145 cents to RPH.

It is the intention of RPH to declare a special dividend of 90 cents per share which represents a major portion of the proceeds to RPH.

1. Renunciation to RPH members:
1.1 The register of RPH will be closed from the close of business on Friday 16 October 1987 to the close of business on Friday 23 October 1987 for the purpose of determining the shareholders of RPH entitled to participate in the rights offer and the special dividend.
Accordingly, the last day to register in order to participate in the rights offer and special dividend by RPH will be Friday 16 October 1987.

1.2 The renunciation of RPH's entitlement to its rights in Lebowa Plats is expected to have only a minimal effect on the earnings and net asset value per RPH share.

1.3 There will be no allocation of fractions of Lebowa Plats' ordinary shares arising as a result of the rights offer ratio. Fractions arising will be consolidated and sold for the benefit of Lebowa Plats. Where the net proceeds of any fractions of ordinary shares pertaining to any RPH shareholder are sold and amount to R5 or more, such net proceeds will be paid to the RPH shareholders concerned.

2. Renunciation to Nationals of Lebowa, Lebowa National Education Trust and Lebowa Training Trust:
Eligible applicants will be invited to subscribe for 6 461 835 ordinary shares in Lebowa Plats at a price of 275 cents per ordinary share.

2.1 Eligible applicants:
Applications will only be invited from the following:
2.1.1 a National of Lebowa, who shall be a person in possession of a certificate issued by the Lebowa Government, certifying that he/she is a Lebowa National, or a person in possession of a certificate of registration indicating that he/she is a Lebowa voter, or a person in possession of any identity document which indicates that he/she is a Lebowa National;

2.1.2 a company or close corporation which is controlled by Lebowa Nationals or is de facto controlled by Lebowa Nationals, and in either case is approved in writing by the Lebowa Government and registered within the National State of Lebowa;

2.1.3 such other persons who can establish they are Nationals of Lebowa to the satisfaction of the LDC.

2.2 Evidence of eligibility:
Applicants will be required to provide proof of eligibility. The above transactions will all be conditional, inter alia, upon the granting by the JSE for a listing of the renounceable (nil paid) letters of allocation to be renounced in favour of RPH shareholders and of a listing for the entire issued ordinary share capital of Lebowa Plats.

Additional announcements will be published on or about 9 October 1987 giving details of important dates relevant to both the public offer and the offer to RPH shareholders.

Johannesburg
1 October 1987

City and Foreign

City and Foreign Holdings lifted pre-tax profit from £158,000 to £460,000 in the first half of 1987, with earnings per 25p share up from 2.41p to 4.9p. In line with the forecast made at the time of the Langenshaw acquisition, there is a single dividend of 2.92p (1p). Results include Langenshaw, acquired in February 1987, but not the BAS Group which was acquired in July.

Hughes Food buy

Hughes Food Group, is buying C. Anderson, fish processor, for a maximum £4.5m, satisfied by shares and cash. Anderson made profits of £300,000 on turnover of £7.1m in the year to the end of October 1986. Net assets at that date were £387,000.

Dalgety in £1m deal

Dalgety, international merchant, is buying Continental Savouries, maker of chilled and frozen pizzas and pasta, for a total consideration of about £1m. Mr Maurice Warren, Dalgety managing director, said the "market is fast growing and now worth over £125m a year as more and more people enjoy eating Italian foods at home. We want a part of this growth".

Continental Savouries had a turnover of £1.7m in the year to March 31, 1987. It will become part of St Ives Food Products, Dalgety's recipe, and meat-processing company.

TR Energy losses up

TR Energy reported pre-tax losses for the year ended June 30, 1987 up from £563,000 to £694,000. Loss per 25p share was 2.9p (1.8p).

Murray Elect

Murray Electronics, investment trust, topped its net asset value per share from £1.52p to £1.72p at the end of the year to July 31, 1987. The proposed dividend for the year is unchanged at 0.2p. The chairman ascribed the increase to an overall improvement in the performance of the unlisted portfolio where most companies had shown a healthy growth in sales, with several companies moving losses to profits during the period.

British Racing rises

Interim pre-tax profits of British Thoroughbred Racing and Breeding released yesterday show an advance from £39,760 to £168,458 in the six months ended June 30.

The operating profit for the period was £157,387 (£38,402) and interest received amounted to £3,068 (£2,628); there was no profit on sale of investments this time. Mr Henry Kelly, chairman, said that the company's horses were running better than ever and prospects for 1988 were equally encouraging.

Wentworth up 19.5%

A 19.5 per cent rise in pre-tax profit was achieved in the year ended April 4 1987 by Wentworth International Group, maker of polystyrene film and bags. From turnover up 4.5 per cent the profit advanced to £270,000 (£226,000). Earnings were 4.8p (3.7p) and the dividend is held at 1.75p.

The directors said some of the investments were enabling the company to enter new areas. Efforts being made to search out companies which would make a good fit with existing operations.

Triplevest assets rise

Triplevest, a split capital investment trust, raised its net asset value per £1 capital share to £20.08 at end-August compared with £17.18 a year earlier. The interim dividend on the 50p income shares is increased from 6.58p to 7.47p, which represents a full distribution of earnings. Gross income was £2.74m (£2.5m) and net revenue £1.79m (£1.58m) after tax of £717,000 (£687,000).

NORTHERN IRELAND

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Sound Diffusion chief may be forced to quit

BY PHILIP COGGAN

Mr PAUL STONOR, chairman and managing director of Sound Diffusion, the electrical equipment leasing group, could be forced to quit after the company produced its audited figures for 1986-87, 43 per cent lower than the unaudited figures which it unveiled in June.

Mr Bob Seabrook, deputy chairman of Throgmorton Trust, which has a stake of around 8.5 per cent in the Brighton-based group, said: "Although we have not aligned ourselves with the dissenting group of shareholders, given all the uncertainty surrounding the company, we feel that the chairman has little option but to resign."

And Mr Stonor himself in a statement accompanying the figures said that "if shareholders' reactions to the results are clearly unfavourable and, as a direct consequence, the quoted price of Sound Diffusion's shares suffers a sustained and material fall in value, I consider it will be my professional duty to retire from my position."

Yesterday, the shares ended just 3p lower at 88p as disappointment at the figures was countered by continuing takeover rumours.

The announcement of the 1986 results followed several months of disagreement between the company and its audi-

tors, Ernst & Whinney, over the amount of profit on the group's leasing activities which should be recognised for the year.

The figures were due to be announced in June but after an initial statement blaming "anomalies in computer programmes" the extent of the group's disagreement with the auditors soon became apparent. Eventually, the group announced that, on the basis of its own assumptions, the pre-tax profits for the year were £9.96m, meeting the forecast of "around £10m" made by Mr Stonor.

However, yesterday's audited profits were only £5.67m and that was after a change in accounting policy which caused a positive £2m benefit. The profit figure was thus lower than 1985's £5.8m, which itself fell short of Mr Stonor's £7.4m forecast. Earnings per share at 3.84p were also down on 1985's 3.58p.

In his statement yesterday, Mr Stonor, who has sought independent advice in dogged defence of his position, remained defiant. The disagreement with the auditors, he said "does not alter in any way the long term overall release of profit and cash from the new business completed in 1986."

"The argument has not been about trading, but about reporting," he added. "The auditors

have required an additional £4m to be set aside for release in future years. We remain convinced that this gives a disproportionately high benefit to future shareholders at the expense of today's."

In the wake of the dispute, the company has asked Ernst & Whinney not to stand for re-election as auditors and is proposing that Arthur Young be appointed when the annual general meeting is held on October 28. Arthur Young has not given any indication whether it accepts the company's views on accounting policies.

The company also hopes to announce a new stockbroker at the agm - its previous broker, Sheppards & Chase, resigned in June.

Yesterday's announcements seem certain to add fuel to the criticism of the group of dissenting shareholders which has been pressing for some time for the removal of Mr Stonor, either via his replacement by some outside figure like Mr Tony Cole, of Bestwood, or via a takeover by another company.

But nothing has yet come of any of the rumours circulating in the market, including a possible management buy-out, and Mr Stonor once again denied yesterday that the company had received any takeover approaches.

WCRS in \$10m New York purchase

BY STEPHEN FIDLER

WCRS, the rapidly expanding advertising agency and communications group, is expected to announce today its acquisition of Corporate Graphics, a New York design firm specialising in the production of annual reports.

The move is part of a strategy by WCRS to develop its investor relations business. Corporate Graphics, a partnership with offices in New York and Los Angeles, is regarded as one of the premier American companies in its field.

The value of the deal is understood to be over \$10m (\$8.17m) in total, with an element of the payment related to Corporate Graphics' earnings over the next four years.

As usual with WCRS acquisitions, the acquired company will run its own business although WCRS is expected to exert financial controls. The two firms are regarded as a good fit, with few overlapping business lines.

Corporate Graphics, which was intended to open an office in the near future in London, is understood also to have been talking to another potential suitor in the UK - a design firm with a strong business in the increasingly sophisticated market in producing annual reports. However, there seems to have been no question of an auction over the company.

Corporate Graphics has produced reports over a number of years for such US companies as Helms, Unilever and Northrup. It also designed the 1986 report for Thorn EMI.

London Sec

BY MARTIN DICKSON

London Securities yesterday announced that it had decided not to go ahead with its proposed bid for the Estates Property Investment Company, following a ruling by the Takeover Panel.

London Securities had been planning an all-share offer on the basis of three of its shares for every one in EPIC, a bid currently worth 24p a share.

However, London Securities bought some EPIC shares at 30p when an offer was "in contemplation" and the Panel insisted that any general offer should be made at the same price. But London decided that a bid at this price would not be in the interests of its shareholders.

London Securities holds a 25.1 per cent stake in EPIC, the shares of which closed last night at 24p, down 1p.

Mr Denis Peel, managing director of EPIC, said the board's view ever since the announcement of London Securities' intention to bid was that the offer could not be in shareholders' interests. He was pleased that the long period of uncertainty was over.

Wade shares soar

Shares in Wade Potteries, porcelain manufacturer, soared yesterday when it announced that it had received an unsolicited approach which involved a possible offer.

However, the board said it felt it would not be in shareholders' interests to pursue the matter at present and the other party had been informed of this. Wade's shares closed at 28p, up 3p.

North Sea Assets

North Sea Assets announced yesterday that it had reached agreement in principle with the bankers, guarantors and lessors of its subsidiary, British Undersea Engineering, on a capital reconstruction and refinancing of BUE.

North Sea Assets announced in August that it could no longer provide necessary support to the company, which is one of Britain's leading diving companies.

As part of the new scheme, North Sea has agreed in principle to inject new cash into BUE and forgive loans. The lenders to BUE have agreed in principle to a substantial write-down of bank and lease debts.

North Sea's shares have been suspended pending completion of the financing, which the company said was designed to "ensure that sufficient resources are made available to BUE to enable it to take full advantage of the expected upturn in the market for offshore services, vessels, and underwater products."

Eagle Trust boost

Eagle Trust, which was formed this year through the merger of Androtron Holdings, Mitchell Somers and Midland City Partnership, made pre-tax profits of £1.32m in the first six months of this year and is paying a 6.1p a share dividend. Androtron made a pre-tax loss of £149,000 in the same period of last year and paid no dividend.

It is intended that a final dividend of 0.25p a share will be recommended.

PICCO has acquired House of Carrens, a distributor of home care products, for £245,000.

Empire profits down to £0.1m

PRE-TAX profits of Empire Stores (Bradford), mail order company, for the 28 weeks to August 15, were lower than anticipated at just £100,000 compared with £2.53m for the 28 weeks to August 9 1986.

The board had warned that the current half year would bear some heavy promotional and development expenditure and inevitably profits in the first half would be depressed. But other factors combined to hit sales and margins.

Turnover increased by 2.3 per cent from £88.9m to £97.9m against planned growth of 8 per cent. The directors said that the special offers were especially disappointing and that the weather had been less than ideal. The poor weather also had a major impact upon sales performance and sales promotion activities were not as effective as they should have been. As a consequence, prices were reduced more extensively than usual to clear stocks in season and the resulting margins were lower than planned.

Overheads, especially payroll costs, and marketing expenses increased significantly over the previous year (although being held below budgeted levels) in

preparation for the higher sales levels expected in the second half of the year.

A new managing director, Michael Harris, joined on June 1 and has already started to take active steps to strengthen the marketing and promotional activities of the company. There is confidence that the action he is currently taking will lead to levels of profit in excess of those achieved last year. In the second half of 1986, profits were £5.19m before exceptional items, and £7.72m for the full year.

Confidence is reflected in the decision to raise the interim payment from 1.5p to 1.65p despite being short of some £200,000. Earnings per share were 0.18p (4.19p).

Operating profit for the period was £250,000 (£2.92m) and interest charges amounted to £450,000 (£285,000) with tax taking £40,000 (£262,000).

comment

Yesterday's figures were worse than either the company or the City expected. The weather

caught everyone in the industry out but the shops could at least plaster their windows with sale posters, a high visibility option not available to mail order operations. In addition, sales strength, disappointed; a change in the way VAT on free gifts is calculated added £200,000 to costs; and the specialist catalogues, or special offers, launched last year were, frankly, a disaster. They made a £300,000 loss on sales just £1m and, not surprisingly, two of the three have been ditched. Empire has always been number three after Grattan and Freemans but it's trailing further behind with these figures. Sales growth of just 2.3 per cent - against a planned 8 per cent - itself not an inspiring target - looks limp compared with Grattan's just under 30 per cent and Freemans' 16.6 per cent. All hope now is on Michael Harris, the new managing director. After dropping 32p to 20p early on, the Harris factor brought the price back to 24p, just up down on the day. Assuming pre-tax profits for the year of about £2m, that puts them on a prospective p/e of 17, a bit expensive.

Rivlin at £2.18m

Rivlin, the USM-quoted property group which acquired Mayfair and City Properties in July, produced pre-tax profits of £2.18m for the six months to June 30.

The figures included the results of CHD Properties Group which was acquired in May, and compare with £797,000 for the previous eight months.

Mr Louis Freedman, chairman, said the company's confidence and optimism was confirmed by its declaration of an interim dividend of 0.35p, against nil in 1986.

Galliford jumps to £4.6m

Galliford, industrial holding company, lifted taxable profits from a restated figure of £3.2m to £4.63m largely as a result of an increase in margins from 2.95 per cent to 3.75 per cent in the year to June 30 1987. Turnover rose from £107.93m to £123.64m.

The directors proposed a final payment up from 3.8p to 4.1p, making a total for the year of 5.35p (4.8p). After tax of £1.82m (£1.22m), earnings per 5p ordinary share moved up from 3.9p to 4.64p.

Mr Peter Galliford, chairman, said that the group had confidence to plan for aggressive growth, both organically and by

acquisition. He said that a one-for-one scrip issue was proposed, together with an increase in authorised capital from £2m to £4.5m.

The reshaping of the group over the past year or so had reduced its dependence on the public sector and competitive contracting, with the range of activities it now offered enabling it to take full advantage of the improved climate in the construction market.

Extraordinary items of £272,000 (£729,000) consisted of closure costs and terminal losses from William Browning (Rugby) and Galliford's property development companies.

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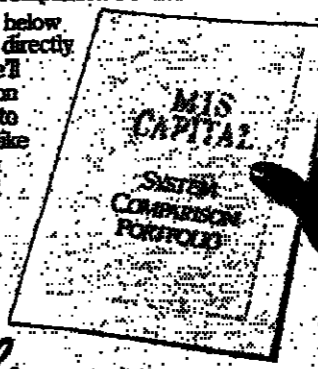
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THE PROPERTY MARKET

New quality of Mersey

LIVERPOOL is not the most obvious place to put up a brand new office block. Its problems are too well known. Private sector developers had written it off. And that is why English Estates stepped in.

The state property company concentrates on industrial property, putting up units where it perceives there is a demand but where the private sector fears to tread. In Liverpool it branched out into offices in precisely the same style.

Mercury Court is the result - 170,000 square feet of offices on five floors and 21,000 square feet of shops and showrooms. English Estates thought it would take four years to let all the offices. At the present rate of letting, it will take less than a year.

"So far 60,000 square feet is occupied and 70,000 square feet is with the solicitors. Enquiries, if they come to fruition will fill the building," said Rob Bennett, the regional director of English Estates.

Tenants in or arriving include John West Foods, Bank of England, Lloyds Bank, National Westminster Bank, Willis Faber, Silkhurst Management, New Zealand Insurance and Chase Property (Northern).

It would be tempting to see in the success of Mercury Court a symbol of the economic renaissance of Merseyside. To be sure, there is an element of that in it. But it seems more likely that

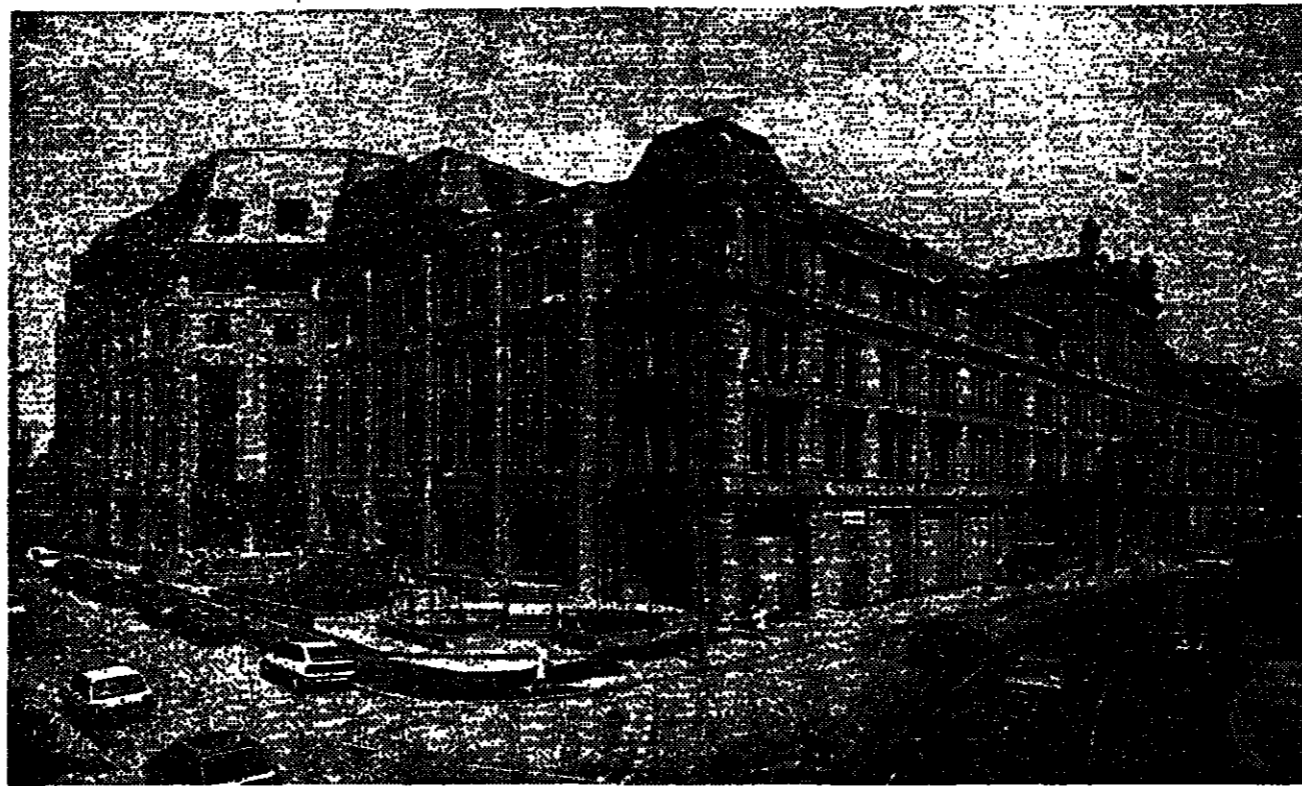
special supply and demand factors in the Liverpool market itself have been behind the quicker than expected lettings.

This goes back to 1982 when English Estates bought for £800,000 the languishing site of an old railway hotel which had stopped trading in 1971 and an old railway station the last service out of which had run in 1977. The property had passed from British Rail to the Property Services Agency, which had the stillborn idea of moving a Government Department out of London, to National Car Parks before it found its destination.

At that stage English Estates looked at the market. "We found a gap - there was no high quality accommodation of any size coming through. There was nothing for companies wanting 20,000 to 40,000 square feet," said Mr Bennett.

Mercury Court has provided at least a partial cure for that. But the demand for its facilities has largely been local. Looking at the tenant list, Mr Bennett noted that "the majority are companies with fragmented accommodation around the city; they've taken the opportunity to pull together on one floor. As a result some have been able to expand."

It is in that last remark that there is one element of economic renaissance - the object of English Estates in taking on Mercury Court in the first place.



Mercury Court, Liverpool, where English Estates fitted new offices behind the facade of a Victorian hotel.

It saw Mercury Court as a catalyst for private sector development.

While it is true that British Land is leasing 2 Moorfields, a new block just down the road, and there is a degree of refurbishment going on in the immediate district, it is not true to suggest that all of a sudden the Liverpool office market is blazing.

But, according to Mr Bennett, there are encouraging signs. Developers with property holdings in the central business district of Liverpool are now thinking of redeveloping their holdings. "Eighteen months ago they wouldn't have thought of doing it," he said.

The message is that confidence is seeping back. This is in line with the general trend in the offices market outside central London. English Estates, though, with its brief to foster economic growth can lead the pack of the private sector. It can accept returns that would not appeal to a private developer. And its experience with Mercury Court is a faulty yardstick of what might happen.

The cost of Mercury Court, including the land was £14.5m. But, when building started in 1983, the construction industry was at a low ebb. It was possible to force down the price contractors wanted to charge. This is no longer the case.

Rents at Mercury Court are running up to £2.75 a square foot, within hailing distance of the rents being charged in Manchester, but, given the perceived uncertainties about Liverpool, they are not at the level that would have developers jumping for joy. Rents at 2 Moorfields are closer to £5.

That said, the rents at Mercury Court are higher than English Estates expected to obtain. "When we looked the original appraisal, we based rents on the level then apparent - about £5. We found a rate of return acceptable to us and the Government," said Mr Bennett.

He conceded that this was lower than would be acceptable to the private sector. At the end of the day he expects the return to be around 8 per cent.

The next thing he has to decide is whether to expand at the back of the property. He has enough room for another 120,000 square feet of space.

Mr Cockburn's optimism reflects a belief that "we see breaking through in the provinces quite a strong demand generating rental growth; under-supply is coming."

The demand is now showing through both on the ground, as in the case of Liverpool, and in the industry indices, even though they are weighted towards the central London market.

The provincial times are changing

ELECTRICITY Supply Nominees, with a £700m portfolio, is one of the big pension fund property investors. It could spend up to £40m a year, and considerably more in 1987 if it so desired, following the sale of the Trocadero in London for £20m, the former home of The Times newspaper for £22.5m and Aztec West near Bristol for £33m.

"We have been looking at retail anywhere. We will now look at offices anywhere. Last year it would have been just retail," said Ian Cockburn, the ESN investment manager.

His remark was a significant example of changing times. One of the reasons why office development has been sluggish outside London has been the fear of the developers that they might not find a buyer. And that fear has been based on the reluctance of the major institutions to invest in provincial office developments.

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Jones Lang Wootton found a 7.1 per cent increase in capital value over the year to last June, against 5.1 per cent for the year to last March and a 12 per cent increase in the estimated rental value in the year to last June against an 8.4 per cent increase in the year to last March.

ESN's approach to the market though will be cautious. There will not be investment in depressed urban areas unless the property in question can perform. Nor is ESN likely to go in to the market as a direct developer.

Rather it will look for office developments in the central business districts of the main towns that it can purchase for investment. Probably they will not over-large, said Mr Cockburn, and they would cost less than £20m - "they start off with a better yield," he added. Between 20,000 and 30,000 square feet is what he has in mind.

ESN can be taken as a barometer of a more confident market. But while it is happy to diversify out of the south east - the area of heaviest concentration for institutional investment - it accepts that this base will always remain the main source of its property in question. Just half a dozen properties in the City of London account for around a quarter of the value of its portfolio.

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COMMODITIES AND AGRICULTURE

EC aid sought to combat fishy story

By Tim Dickson in Brussels

"The power of the Press" may be widely acknowledged but the influence of the media in West Germany is literally reaching a new scale.

A recent television programme from the Federal Republic highlighting a potential health threat from eating fish sent the Bonn Government this week scurrying to Brussels for support.

The broadcast in question, which went out in mid-August, drew attention to the fact that a particularly nasty sounding parasite called nematodes (a type of thread worm), can be found in many species and that when not properly gutted or cooked "it can cause severe intestinal problems for several days."

The result of this "scare story," as the State Secretary for Agriculture and Fisheries Wolfgang von Geldern, explained to his colleagues in the Fish Council on Tuesday evening, has been a dramatic collapse in consumption of all types of fish, notably in the southern part of the country and ranging from 40 to 60 per cent depending on the region.

Mr von Geldern's decision to raise the matter in a European Community context was prompted not just by the need to get Brussels' approval for his Government's proposed DM1.5m (\$520,000) package of emergency aid for retailers, processors and producers but by the feeling that steps should be taken to restore faith in fish through an EC-wide publicity campaign and to harmonise hygiene regulations in all the member states (something which the Commission is in fact already considering).

His suggestion was that DM 500,000 could be allocated from the EC's structural funds for such propaganda purposes.

Mr Antonio Carles de Cunha, the Portuguese Fisheries Commissioner, promised to go away and consider all the points but other delegations (notably the Dutch and the British) clearly had reservations about the German approach and felt that the Community should not over-react.

The Dutch pointed out that the problem of nematodes had been known for many years while Mr John Gummer, the UK Minister, reminded his colleagues that the British sausage had once come in for similarly disrespectful media treatment and that inevitably it would take time to repair the damage.

'Destroy surplus food' urge European MPs

BY TIM DICKSON IN BRUSSELS

A GROUP of European MPs have called on the European Commission to look closely at the possibility of destroying a part of the Community's surplus food stocks.

The controversial issue is raised in a new report based on a special investigation into the problem of stocks in the agricultural sector which has been carried out over the last few months by a committee of the Strasbourg Parliament.

This also calls on the Community to fix for the first time "normal" levels of excess food quantities, to increase the volume of food aid to the developing world, and to pursue a more market orientated price support policy for European farmers.

The question of whether or not to destroy surplus food stocks has always been a highly sensitive one in Brussels for obvious political and humanitarian reasons. The conclusions of the European Parliamentary investigation which will be debated by a full plenary session of the assembly later this month, point out that "from a

strictly economic point of view the destruction of old stocks can be justified."

Bearing in mind, however, the grave ethical problems, adverse public opinion and the need to limit such action "to a minimum," the report calls on the Brussels executive to "initiate an in-depth study on all aspects of destruction where stocks have been fully depreciated because of loss of market value and storage costs."

The European Commission has itself not excluded this most drastic of options, notably for the large quantities of butter in storage which are more than three years old. But as a spokesman put it last night "we must first look at all the alternatives which would be preferable for political and financial reasons. We are, for example, talking to the food industry about selling some of the stock for animal feed-stuffs and contacts are also taking place with the paint and soap industries."

Destruction of food, of course, is not unknown. A significant part of the fruit crop in Cal-

ifornia, for example, is thrown away every year and from time to time the European Community has had no option but to dispose in this way of fruit and vegetables.

Elsewhere in its conclusions the European Parliament report spells out what its authors think should be "normal" stock levels for the principal products. The suggestions are: 12m-15m tonnes for cereals at the end of a campaign (against roughly 16-17m in store at the moment); 200,000 tonnes of skimmed milk powder (against roughly 600,000 tonnes now); 300,000-350,000 tonnes of butter (compared with 850,000); 100,000 tonnes of beef (against 700,000) and 100,000 tonnes of olive oil.

Many of the ideas for reducing the cost of the Common Agricultural Policy are already reflected to a greater or lesser degree in the Commission's policy approach. But the tone of the report, while restating some of the fundamental principles of the CAP, is noteworthy for being more market orientated.

French commodity markets plan

BY PAUL BETTS IN PARIS

THE French Government is planning to boost the competitiveness of France's commodity markets by harmonising the country's two futures markets under the same regulatory body and studying possible tax cuts for commodity dealings.

The move, announced by Mr Edouard Balladur, the French finance and economy minister yesterday, is a response to the increasing competition from US and London futures markets, particularly in the white sugar sector.

The most significant aspect of the reform is the proposal to merge the two futures markets into a single body, the CMA (Commissariat aux Marchés Agricoles), at the same level as those applying to capital gains in the stock market and on financial futures. The current rate for commodities is 88 per cent while the rate in the other markets is only 16 per cent.

At the same time, the commodities and financial futures markets will come under the authority of the same supervisory body, the Marche des Termes des Instruments Finan-

ciers or Matif. This will mean that brokers dealing in commodities futures will now also be able to deal in the fast growing French financial futures market.

Mr Balladur said in a statement that the measures were being taken to help support the commodities futures markets in France. He added that the unification of the French futures markets under one institutional body was "an important element to make Paris a major international financial centre."

Lower wheat output forecast

BY RICHARD LINDER

THE INTERNATIONAL Wheat Council (IWC) has lowered its forecast of world wheat production in the year to next June by 12m tonnes to 566m tonnes because of poor harvests in several important growing countries in the northern hemisphere.

The new estimates, in the IWC's latest market report, put the current year's output even further behind the record 595m tonnes produced in 1986/87. Since the council made its last estimate in July, the dismally wet summer in western Europe

has produced crops some 6m tonnes below expectations. Poor weather has also led to the Canadian crop estimate being lowered by 2m tonnes to 25m tonnes.

As indicated by reports from Moscow, the Soviet wheat crop has also suffered and the IWC now estimates production at 30m tonnes, 2m below the July estimate.

Despite the use of improved cultivation methods and performance-related incentives in the Soviet Union, the IWC said that "any gains achieved... were probably more than offset

by the adverse effects of some of the most difficult conditions ever recorded."

However, the council said it was tentatively raising the overall Soviet grain crop by 5m tonnes to 200m tonnes—still 10m tonnes below last year's figure—because of higher coarse grain production. Soviet grain imports are now expected to total 32m tonnes against 38m in the previous forecast.

World output of all grains is now estimated at 1,311m tonnes, 19m tonnes down from the last forecast, compared with 1,380m in 1986/87.

Oil and fats is hottest issue

OF ALL the proposals so far put forward by the Commission for controlling the costs of the common Agricultural Policy, that for oils and fats is the most controversial.

So deeply divided were the Community's farm ministers when they discussed the issue last summer that the proposal went to the head of government. But despite detailed debate and no fewer than four interventions from Mrs Margaret Thatcher, the British Prime Minister, who refused to have anything to do with what has become known as the oils and fats tax, even the summit failed to resolve the differences.

At the summit, the Commission agreed to study the issues further and report later this month. But the betting in Brussels is that the table will remain on the table virtually unchanged, a certain focus of controversy when the farm ministers resume negotiations on the Commission's proposals as a whole in three weeks' time.

The oils and fats sector presents a superficially similar picture to the other major commodities supported by the regime to Spain without production of the main oilseeds—rape, sunflower and soy—have increased markedly, as have costs.

The regime cost Ecu 1.7bn in 1984, Ecu 2.9bn in 1986 while this year, even with quite substantial cuts in subsidies, estimates are for Ecu 4bn. The sector is the third most costly to support after milk and cereals.

That is bad enough to warrant action, the Commission believes, but a worse worry looms. Spain, in particular, is a large producer of oilseeds and fats—notably olive oil—though sunflower seed production, at just under 1m tonnes, is increasing. When Spain and Portugal are fully integrated into the CAP support systems in 1991, the cost of the oils and fats sector could be more than Ecu 6bn.

The support system for oilseeds, which began in 1966, differs from those governing milk, beef or cereals in not relying on heavy import tariffs to protect a high price to the producer. In the 1960s the EC imported most of its oilseed requirements, so tariffs were left at zero or very low levels.

That is why the EC has now shifted its focus to subsidising the producer. In the 1960s the EC imported most of its oilseed requirements, so tariffs were left at zero or very low levels.

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major import, mainly from the US.

This means that the EC produces a surplus of oilseeds, which makes up the gap between the world price and an EC target price. The payment is actually made to the oilseed crusher, but the effect is to subsidise the producer.

The consumer gets the benefit of cheaper prices but the EC budget suffers. Payment is made

The tax would roughly double the present price of refined oil, and would, the Commission estimates, raise revenue of 2m in revenue. As well as helping to pay for the regime now, it could ease the problems of the extra payments needed later for Spain's oilseeds.

The Commission insists that its tax (which it calls a stabilisation mechanism) must be seen as an essential complement to a package of measures, the first

of which was agreed last June and became effective from July 1. These include an overall 3 per cent reduction in subsidy; an attempt to limit the buying of surpluses into intervention (a facility which appears on the verge of being used for the first time); and most importantly, they establish a production threshold, which if exceeded, reduces the deficiency payments.

For rapeseed, for example, a production threshold of 3.5m tonnes has been set, although latest estimates suggest that production this year may be nearer 6m tonnes. For each 1 per cent by which production exceeds the threshold, the producer support drops by an equivalent amount until a maximum of 10 per cent reduction is reached.

In Ecu terms, this means a 20 per cent price reduction for the producer though with Ecu 870 per tonne on vegetable oil production, as well as animal fats—the Commission is attempting to shift the burden of paying for the subsidies on oil seed production to the consumer.

On every tonne produced, and with current world prices the payments are correspondingly high.

Olive oil has a different and more complicated support system involving tariff protection, buying-in to intervention stores, export refunds and a form of deficiency payment. Production trends are relatively stable, averaging 1.4m tonnes a year, but the Commission estimates that the cost of extending the regime to Spain without production of the main oilseeds—rape, sunflower and soy—have increased markedly, as have costs.

The regime cost Ecu 1.7bn in 1984, Ecu 2.9bn in 1986 while this year, even with quite substantial cuts in subsidies, estimates are for Ecu 4bn. The sector is the third most costly to support after milk and cereals.

That is bad enough to warrant action, the Commission believes, but a worse worry looms. Spain, in particular, is a large producer of oilseeds and fats—notably olive oil—though sunflower seed production, at just under 1m tonnes, is increasing. When Spain and Portugal are fully integrated into the CAP support systems in 1991, the cost of the oils and fats sector could be more than Ecu 6bn.

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LONDON MARKETS

COFFEE PRICES advanced strongly in London yesterday as optimism returned to the market over the outcome of the International Coffee Organisation's talks on export quotas. The decline of sterling against the dollar and a firmer trend in New York helped the advance, said dealers. Yesterday's scheduled council session of the ICO was postponed until this afternoon to allow more time for a contact group of producers and consumer countries to attempt to reach a compromise on the distribution of export quotas among producer countries. Cocoa prices also eased higher, buoyed by higher New York prices and lower sterling, as well as concern over the lack of good quality cocoa coming on to the market for nearby delivery. On the London Metal Exchange, silver prices were firmer, but the downturn in copper prices was more than offset by a three-month delivery ended at a tonne up at £11.15. LME prices supplied by Amalgamated Metal Trading.

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INDICES

REUTERS

Oct 1 Sept 24 Mth Ago Year Ago

1640.7 1640.2 1640.5 1655.9

(Base: September 15 1981=100)

DOW JONES

Oct 1 Sept 24 Mth Ago Year Ago

Spot 126.15 126.50 - 123.11

126.31 126.50 - 123.11

(Base: December 31 1981=100)

MAIN PRICE CHANGES

Nov. 1 + or - Month

1987 - ago

METALS

Aluminium 1540/1550 +50 1590/1600

Cash Grade A 1510/1520 +50 1560/1570

Cash Grade B 1500/1510 +50 1550/1560

Gold 1225.00 +1.25 1226.25

Gold 1225.00 +1.25 1226.25

Gold 1225.00 +1.25 1226.25

COCAOA

Oct 1 Sept 24 Mth Ago Year Ago

120.00 120.00 120.00 120.00

(Base: September 15 1981=100)

COCAOA

Oct 1 Sept 24 Mth Ago Year Ago

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(Base: September 15 1981=100)

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COCAOA

Oct 1 Sept 24 Mth Ago Year Ago

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(Base: September 15 1981=100)

US MARKETS

NEW YORK

ALUMINUM 40.00 lbs. cents/lb

Oct 1 Sept 24 Mth Ago Year Ago

120.00 120.00 120.00 120.00

(Base: September 15 1981=100)

ALUMINUM

Oct 1 Sept 24 Mth Ago Year Ago

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(Base: September 15 1981=100)

ALUMINUM

Oct 1 Sept 24 Mth Ago Year Ago

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CS Fund Managers Limited		Slidely Investment Services Ltd		HNI Samuel Olin 132, 140, 142, 144	
125 High Hollow, London WC1V 6PY	01-262 1348	Five Walk, Cambridge TW9 1DY		NLA Turner Associates, New, Gwynedd	01-486 0325
CS American Fd. 1982	+0.3 1.77	Calvine Dealings Number:		(a) British Trust	+0.8 2.69
CS American Fd. 1983	-0.2 0.72	Private Clients 0800 430416		(b) British Trust	+0.8 2.48
CS Asian Fd. 1982	-0.8 0.94	Brokers Dealing 0800 430416		(c) Dollar Trust	+0.2 2.05
CS Asian Fd. 1983	-0.8 0.94	Amersham Ltd	+0.6 0.04	(d) European Trust	+0.8 2.05
CS Portfolio Inv. Fd. 1983	-0.8 1.94	Amersham Ltd	+0.6 0.04	(e) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(f) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(g) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(h) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(i) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(j) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(k) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(l) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(m) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(n) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(o) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(p) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(q) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(r) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(s) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(t) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(u) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(v) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(w) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(x) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(y) Far East Trust	+0.8 2.05
		Amersham Ltd	+0.6 0.04	(z) Far East Trust	+0.8 2.05

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International	128.3	179.0	+1.3	2.20	American Growth	24.0	27.7	+0.3	0.10	F.P. North American	14.1	12.9	-1.2	0.10	91-25-6647
International Th.	336.7	336.7	+1.1	2.20	Foreign Growth Th.	78.2	78.2	+0.0	0.11	F.P. Pacific Basin	26.8	26.8	0.0	0.17	
International Th.	327.2	327.2	+0.0	2.20	Foreign Growth Th.	22.2	22.2	+0.0	0.11						
Foreign Th.	78.2	78.2	+0.0	2.25	Foreign Growth Th.	64.9	64.9	+0.0	0.11						
					Foreign Growth Th.	22.2	22.2	+0.0	0.11						
					Foreign Growth Th.	64.9	64.9	+0.0	0.11						
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					Foreign Growth Th.	64.9	64.9	+0.0	0.11						
					Foreign Growth Th.										

High Income Trk	52.0	24	-0.1	51.9	24	-0.1	51.8	24	-0.1	51.7	24	-0.1	51.6	24	-0.1	51.5	24	-0.1	51.4	24	-0.1	51.3	24	-0.1	51.2	24	-0.1	51.1	24	-0.1	51.0	24	-0.1	50.9	24	-0.1	50.8	24	-0.1	50.7	24	-0.1	50.6	24	-0.1	50.5	24	-0.1	50.4	24	-0.1	50.3	24	-0.1	50.2	24	-0.1	50.1	24	-0.1	50.0	24	-0.1	49.9	24	-0.1	49.8	24	-0.1	49.7	24	-0.1	49.6	24	-0.1	49.5	24	-0.1	49.4	24	-0.1	49.3	24	-0.1	49.2	24	-0.1	49.1	24	-0.1	49.0	24	-0.1	48.9	24	-0.1	48.8	24	-0.1	48.7	24	-0.1	48.6	24	-0.1	48.5	24	-0.1	48.4	24	-0.1	48.3	24	-0.1	48.2	24	-0.1	48.1	24	-0.1	48.0	24	-0.1	47.9	24	-0.1	47.8	24	-0.1	47.7	24	-0.1	47.6	24	-0.1	47.5	24	-0.1	47.4	24	-0.1	47.3	24	-0.1	47.2	24	-0.1	47.1	24	-0.1	47.0	24	-0.1	46.9	24	-0.1	46.8	24	-0.1	46.7	24	-0.1	46.6	24	-0.1	46.5	24	-0.1	46.4	24	-0.1	46.3	24	-0.1	46.2	24	-0.1	46.1	24	-0.1	46.0	24	-0.1	45.9	24	-0.1	45.8	24	-0.1	45.7	24	-0.1	45.6	24	-0.1	45.5	24	-0.1	45.4	24	-0.1	45.3	24	-0.1	45.2	24	-0.1	45.1	24	-0.1	45.0	24	-0.1	44.9	24	-0.1	44.8	24	-0.1	44.7	24	-0.1	44.6	24	-0.1	44.5	24	-0.1	44.4	24	-0.1	44.3	24	-0.1	44.2	24	-0.1	44.1	24	-0.1	44.0	24	-0.1	43.9	24	-0.1	43.8	24	-0.1	43.7	24	-0.1	43.6	24	-0.1	43.5	24	-0.1	43.4	24	-0.1	43.3	24	-0.1	43.2	24	-0.1	43.1	24	-0.1	43.0	24	-0.1	42.9	24	-0.1	42.8	24	-0.1	42.7	24	-0.1	42.6	24	-0.1	42.5	24	-0.1	42.4	24	-0.1	42.3	24	-0.1	42.2	24	-0.1	42.1	24	-0.1	42.0	24	-0.1	41.9	24	-0.1	41.8	24	-0.1	41.7	24	-0.1	41.6	24	-0.1	41.5	24	-0.1	41.4	24	-0.1	41.3	24	-0.1	41.2	24	-0.1	41.1	24	-0.1	41.0	24	-0.1	40.9	24	-0.1	40.8	24	-0.1	40.7	24	-0.1	40.6	24	-0.1	40.5	24	-0.1	40.4	24	-0.1	40.3	24	-0.1	40.2	24	-0.1	40.1	24	-0.1	40.0	24	-0.1	39.9	24	-0.1	39.8	24	-0.1	39.7	24	-0.1	39.6	24	-0.1	39.5	24	-0.1	39.4	24	-0.1	39.3	24	-0.1	39.2	24	-0.1	39.1	24	-0.1	39.0	24	-0.1	38.9	24	-0.1	38.8	24	-0.1	38.7	24	-0.1	38.6	24	-0.1	38.5	24	-0.1	38.4	24	-0.1	38.3	24	-0.1	38.2	24	-0.1	38.1	24	-0.1	38.0	24	-0.1	37.9	24	-0.1	37.8	24	-0.1	37.7	24	-0.1	37.6	24	-0.1	37.5	24	-0.1	37.4	24	-0.1	37.3	24	-0.1	37.2	24	-0.1	37.1	24	-0.1	37.0	24	-0.1	36.9	24	-0.1	36.8	24	-0.1	36.7	24	-0.1	36.6	24	-0.1	36.5	24	-0.1	36.4	24	-0.1	36.3	24	-0.1	36.2	24	-0.1	36.1	24	-0.1	36.0	24	-0.1	35.9	24	-0.1	35.8	24	-0.1	35.7	24	-0.1	35.6	24	-0.1	35.5	24	-0.1	35.4	24	-0.1	35.3	24	-0.1	35.2	24	-0.1	35.1	24	-0.1</
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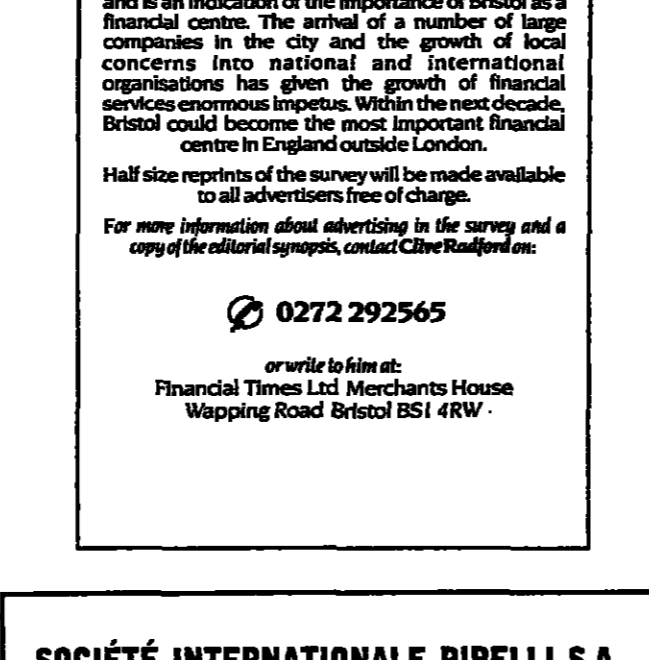
Account	Debit	Credit	Balance
Account Debit	100.00		100.00
Private Inc, Fremont	100.00		200.00
Account Debit	100.00		300.00
Account Debit	100.00		400.00
Account Debit	100.00		500.00
Account Debit	100.00		600.00
Account Debit	100.00		700.00
Account Debit	100.00		800.00
Account Debit	100.00		900.00
Account Debit	100.00		1000.00
Account Debit	100.00		1100.00
Account Debit	100.00		1200.00
Account Debit	100.00		1300.00
Account Debit	100.00		1400.00
Account Debit	100.00		1500.00
Account Debit	100.00		1600.00
Account Debit	100.00		1700.00
Account Debit	100.00		1800.00
Account Debit	100.00		1900.00
Account Debit	100.00		2000.00
Account Debit	100.00		2100.00
Account Debit	100.00		2200.00
Account Debit	100.00		2300.00
Account Debit	100.00		2400.00
Account Debit	100.00		2500.00
Account Debit	100.00		2600.00
Account Debit	100.00		2700.00
Account Debit	100.00		2800.00
Account Debit	100.00		2900.00
Account Debit	100.00		3000.00
Account Debit	100.00		3100.00
Account Debit	100.00		3200.00
Account Debit	100.00		3300.00
Account Debit	100.00		3400.00
Account Debit	100.00		3500.00
Account Debit	100.00		3600.00
Account Debit	100.00		3700.00
Account Debit	100.00		3800.00
Account Debit	100.00		3900.00
Account Debit	100.00		4000.00
Account Debit	100.00		4100.00
Account Debit	100.00		4200.00
Account Debit	100.00		4300.00
Account Debit	100.00		4400.00
Account Debit	100.00		4500.00
Account Debit	100.00		4600.00
Account Debit	100.00		4700.00
Account Debit	100.00		4800.00
Account Debit	100.00		4900.00
Account Debit	100.00		5000.00
Account Debit	100.00		5100.00
Account Debit	100.00		5200.00
Account Debit	100.00		5300.00
Account Debit	100.00		5400.00
Account Debit	100.00		5500.00
Account Debit	100.00		5600.00
Account Debit	100.00		5700.00
Account Debit	100.00		5800.00
Account Debit	100.00		5900.00
Account Debit	100.00		6000.00
Account Debit	100.00		6100.00
Account Debit	100.00		6200.00
Account Debit	100.00		6300.00
Account Debit	100.00		6400.00
Account Debit	100.00		6500.00
Account Debit	100.00		6600.00
Account Debit	100.00		6700.00
Account Debit	100.00		6800.00
Account Debit	100.00		6900.00
Account Debit	100.00		7000.00
Account Debit	100.00		7100.00
Account Debit	100.00		7200.00
Account Debit	100.00		7300.00
Account Debit	100.00		7400.00
Account Debit	100.00		7500.00
Account Debit	100.00		7600.00
Account Debit	100.00		7700.00
Account Debit	100.00		7800.00
Account Debit	100.00		7900.00
Account Debit	100.00		8000.00
Account Debit	100.00		8100.00
Account Debit	100.00		8200.00
Account Debit	100.00		8300.00
Account Debit	100.00		8400.00
Account Debit	100.00		8500.00
Account Debit	100.00		8600.00
Account Debit	100.00		8700.00
Account Debit	100.00		8800.00

2009-10		2008-09		2007-08		2006-07		2005-06		2004-05		2003-04		2002-03		2001-02		2000-01		1999-00		1998-99		1997-98		1996-97		1995-96		1994-95		1993-94		1992-93		1991-92		1990-91		1989-90		1988-89		1987-88		1986-87		1985-86		1984-85		1983-84		1982-83		1981-82		1980-81		1979-80		1978-79		1977-78		1976-77		1975-76		1974-75		1973-74		1972-73		1971-72		1970-71		1969-70		1968-69		1967-68		1966-67		1965-66		1964-65		1963-64		1962-63		1961-62		1960-61		1959-60		1958-59		1957-58		1956-57		1955-56		1954-55		1953-54		1952-53		1951-52		1950-51		1949-50		1948-49		1947-48		1946-47		1945-46		1944-45		1943-44		1942-43		1941-42		1940-41		1939-40		1938-39		1937-38		1936-37		1935-36		1934-35		1933-34		1932-33		1931-32		1930-31		1929-30		1928-29		1927-28		1926-27		1925-26		1924-25		1923-24		1922-23		1921-22		1920-21		1919-20		1918-19		1917-18		1916-17		1915-16		1914-15		1913-14		1912-13		1911-12		1910-11		1909-10		1908-09		1907-08		1906-07		1905-06		1904-05		1903-04		1902-03		1901-02		1900-01		1899-00		1898-99		1897-98		1896-97		1895-96		1894-95		1893-94		1892-93		1891-92		1890-91		1889-90		1888-89		1887-88		1886-87		1885-86		1884-85		1883-84		1882-83		1881-82		1880-81		1879-80		1878-79		1877-78		1876-77		1875-76		1874-75		1873-74		1872-73		1871-72		1870-71		1869-70		1868-69		1867-68		1866-67		1865-66		1864-65		1863-64		1862-63		1861-62		1860-61		1859-60		1858-59		1857-58		1856-57		1855-56		1854-55		1853-54		1852-53		1851-52		1850-51		1849-50		1848-49		1847-48		1846-47		1845-46		1844-45		1843-44		1842-43		1841-42		1840-41		1839-40		1838-39		1837-38		1836-37		1835-36		1834-35		1833-34		1832-33		1831-32		1830-31		1829-30		1828-29		1827-28		1826-27		1825-26		1824-25		1823-24		1822-23		1821-22		1820-21		1819-20		1818-19		1817-18		1816-17		1815-16		1814-15		1813-14		1812-13		1811-12		1810-11		1809-10		1808-09		1807-08		1806-07		1805-06		1804-05		1803-04		1802-03		1801-02		1800-01		1799-00		1798-99		1797-98		1796-97		1795-96		1794-95		1793-94		1792-93		1791-92		1790-91		1789-90		1788-89		1787-88		1786-87		1785-86		1784-85		1783-84		1782-83		1781-82		1780-81		1779-80		1778-79		1777-78		1776-77		1775-76		1774-75		1773-74		1772-73		1771-72		1770-71		1769-70		1768-69		1767-68		1766-67		1765-66		1764-65		1763-64		1762-63		1761-62		1760-61		1759-60		1758-59		1757-58		1756-57		1755-56	
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Atlanta UN Growth	36.5	39.2	+0.2	2.70	Crown House, Woking	0121 331 111	04062 39923	Global Asset Management	85.0	91.4	-12.3	0.76	
Atlanta UK Ann. Fd.	64.6	69.2	+0.4	0.38	Crown American Fd.	148.6	+0.5	0.65	For Future	161.6	171.9	-1.4	0.20
Atlanta Swiss Bond Fd.	49.4	53.1	—	5.25	Crown Canadian Bk.	54.5	+0.5	—	GM	79.8	84.4	—	7.65
								GM Sterling Management Ltd	24.8	25.5	—	0.50	

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Thursday, 26 November 1987. It is the first time the Financial Times has done a survey on this and is an indication of the importance of Britain.



**SOCIÉTÉ INTERNATIONALE POUR LE DROIT
DE BASE**

—

- Pirelli Financial Services Company N.V.**
7% USD 50 Million Guaranteed Convertible Bonds 1985-1995
- In accordance with condition 13 (f) (i) of the first schedule of the Trust Deed for the above mentioned convertible bonds, notice is hereby given to the Bondholders that the General Meeting of the Shareholders of the Société Internationale Pirelli S.A. will be held in Basle on Wednesday, November 4, 1987.
- Requests for conversion into ordinary shares filed on/or before October 15, 1987 shall be submitted to the above mentioned General Meeting for the creation of the shares needed to satisfy the conversion requests.
- L.G. INDEX LTD. 9-11 GROSVENOR GARDENS, LONDON SW1W 0DD**

FT 30	FTSE 100	WALL STREET
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- | | | | | | | | | |
|-----|---------|----|-----|---------|----|-----|-----------|-----|
| Oct | 1874/80 | +3 | Oct | 2391/98 | +4 | Oct | 2624/32 | +22 |
| Dec | 1903/10 | +2 | Dec | 2429/35 | +1 | Dec | 2641/2649 | +27 |
- Dealing hours from 9am to 5pm. Prices taken at 3pm.

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Income & General	154.5	166.3	-1.2	0.05	Rate Inc. Sept 25	162.5	171.9	-2.457	Foreign Exp. Cost Sept 24	312.6	320.0	-7.4	0.05	Int. Technology	259.7	271.4	-11.7	0.01
Special Situation	86.5	92.1	+5.6	0.59	(Accum. Unliq. Sept 25)	297.3	313.2	-2.457						De. (Accum.)	250.9	264.9	-14.0	0.05

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Region	1992 Yr	1993 Yr	% Chg	Region	1992 Yr	1993 Yr	% Chg	Region	1992 Yr	1993 Yr	% Chg
Eastern Tr.	121.9	130.2	+6.8	South Growth Tr.	30.7	34.1	+11.1	Western Management LBS	250.8	264.6	+5.5
Early Income Tr.	83.0	88.2	+6.1	Midwestern Growth Tr.	42.4	45.6	+7.6	American & General	250.8	264.6	+5.5
Europe Tr.	159.8	169.9	+6.3	Smaller East Growth Tr.	33.2	36.6	+10.2	Income United	250.8	264.6	+5.5
Asia Tr.	65.2	71.7	+10.0	US Growth Tr.	54.3	59.2	+9.0	American Recovery	250.8	264.6	+5.5

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BUILDING, TIMBER, ROADS—Cont

[illegible]

Meyer Int.	478	+19	7.0	4
Miller (Stan) IDp	128		1.25	1

[illegible]

Anchor Chemical	485	-5	5.0	3.0
Astra Holdings Sp	6612	+272	0.87	0.0
BASE AC OM 50	81251	+2	0.00%	0.0

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RAPERY AND STORE

17	Hack Academy 100	255	+15	8.5	28	1	2
18	Harvard 100	255	+15	8.5	28	1	2
19	Hartford 100	255	+15	8.5	28	1	2
20	Hawthorne 100	255	+15	8.5	28	1	2
21	Hawthorne 100	255	+15	8.5	28	1	2
22	Hawthorne 100	255	+15	8.5	28	1	2
23	Hawthorne 100	255	+15	8.5	28	1	2
24	Hawthorne 100	255	+15	8.5	28	1	2
25	Hawthorne 100	255	+15	8.5	28	1	2
26	Hawthorne 100	255	+15	8.5	28	1	2
27	Hawthorne 100	255	+15	8.5	28	1	2
28	Hawthorne 100	255	+15	8.5	28	1	2
29	Hawthorne 100	255	+15	8.5	28	1	2
30	Hawthorne 100	255	+15	8.5	28	1	2
31	Hawthorne 100	255	+15	8.5	28	1	2
32	Hawthorne 100	255	+15	8.5	28	1	2
33	Hawthorne 100	255	+15	8.5	28	1	2
34	Hawthorne 100	255	+15	8.5	28	1	2
35	Hawthorne 100	255	+15	8.5	28	1	2
36	Hawthorne 100	255	+15	8.5	28	1	2
37	Hawthorne 100	255	+15	8.5	28	1	2
38	Hawthorne 100	255	+15	8.5	28	1	2
39	Hawthorne 100	255	+15	8.5	28	1	2
40	Hawthorne 100	255	+15	8.5	28	1	2
41	Hawthorne 100	255	+15	8.5	28	1	2
42	Hawthorne 100	255	+15	8.5	28	1	2
43	Hawthorne 100	255	+15	8.5	28	1	2
44	Hawthorne 100	255	+15	8.5	28	1	2
45	Hawthorne 100	255	+15	8.5	28	1	2
46	Hawthorne 100	255	+15	8.5	28	1	2
47	Hawthorne 100	255	+15	8.5	28	1	2
48	Hawthorne 100	255	+15	8.5	28	1	2
49	Hawthorne 100	255	+15	8.5	28	1	2
50	Hawthorne 100	255	+15	8.5	28	1	2
51	Hawthorne 100	255	+15	8.5	28	1	2
52	Hawthorne 100	255	+15	8.5	28	1	2
53	Hawthorne 100	255	+15	8.5	28	1	2
54	Hawthorne 100	255	+15	8.5	28	1	2
55	Hawthorne 100	255	+15	8.5	28	1	2
56	Hawthorne 100	255	+15	8.5	28	1	2
57	Hawthorne 100	255	+15	8.5	28	1	2
58	Hawthorne 100	255	+15	8.5	28	1	2
59	Hawthorne 100	255	+15	8.5	28	1	2
60	Hawthorne 100	255	+15	8.5	28	1	2
61	Hawthorne 100	255	+15	8.5	28	1	2
62	Hawthorne 100	255	+15	8.5	28	1	2
63	Hawthorne 100	255	+15	8.5	28	1	2
64	Hawthorne 100	255	+15	8.5	28	1	2
65	Hawthorne 100	255	+15	8.5	28	1	2
66	Hawthorne 100	255	+15	8.5	28	1	2
67	Hawthorne 100	255	+15	8.5	28	1	2
68	Hawthorne 100	255	+15	8.5	28	1	2
69	Hawthorne 100	255	+15	8.5	28	1	2
70	Hawthorne 100	255	+15	8.5	28	1	2
71	Hawthorne 100	255	+15	8.5	28	1	2
72	Hawthorne 100	255	+15	8.5	28	1	2
73	Hawthorne 100	255	+15	8.5	28	1	2
74	Hawthorne 100	255	+15	8.5	28	1	2
75	Hawthorne 100	255	+15	8.5	28	1	2
76	Hawthorne 100	255	+15	8.5	28	1	2
77	Hawthorne 100	255	+15	8.5	28	1	2
78	Hawthorne 100	255	+15	8.5	28	1	2

Free (Local) 10p	123	+2	11.0	—
Free-Rosen 5p	88	—	1.65	+
Gen (S.R.) 10p	104	+4	1.0	+

[illegible]

ENGINEERING—Continued

[illegible]

114	Do. Cov. Rd. PF Sp	154	6.0	-	5.
23	Christy Hunt	2800	+4	-	-

103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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236	McKeechle	368	+3	110.0	1.9	3.1
124	Meggett 5p	256	-27	101.5	4.3	1.1
67	Melchior 5p	109		102.3	2.7	1.1

[illegible]**FOOD, GROCERIES, ETC**[illegible]

132	Matthews (B)	13 th	+1	61.75	4.1	1.2
150	Mezz Trade Sep.	570	+10	3.6	0	1.3
201	Morris (W) 100	31.4	+3	11.6	9.0	0.7

[illegible]

INDUSTRIALS—Continued

Lot	Block	Price	sq ft	AGE	YR
109	Waldman Thomas	225	1,250	25	1970
110	Waldman Thomas	225	1,250	25	1970
132	Lee Green 2b	225	1,375	03	1974
136	Lee Green 2b	225	1,375	03	1974
137	Lee Green 2b	225	1,375	03	1974
138	Lee Green 2b	225	1,375	03	1974
139	Lee Green 2b	225	1,375	03	1974
140	Lee Green 2b	225	1,375	03	1974
141	Lee Green 2b	225	1,375	03	1974
142	Lee Green 2b	225	1,375	03	1974
143	Lee Green 2b	225	1,375	03	1974
144	Lee Green 2b	225	1,375	03	1974
145	Lee Green 2b	225	1,375	03	1974
146	Lee Green 2b	225	1,375	03	1974
147	Lee Green 2b	225	1,375	03	1974
148	Lee Green 2b	225	1,375	03	1974
149	Lee Green 2b	225	1,375	03	1974
150	Lee Green 2b	225	1,375	03	1974
151	Lee Green 2b	225	1,375	03	1974
152	Lee Green 2b	225	1,375	03	1974
153	Lee Green 2b	225	1,375	03	1974
154	Lee Green 2b	225	1,375	03	1974
155	Lee Green 2b	225	1,375	03	1974
156	Lee Green 2b	225	1,375	03	1974
157	Lee Green 2b	225	1,375	03	1974
158	Lee Green 2b	225	1,375	03	1974
159	Lee Green 2b	225	1,375	03	1974
160	Lee Green 2b	225	1,375	03	1974
161	Lee Green 2b	225	1,375	03	1974
162	Lee Green 2b	225	1,375	03	1974
163	Lee Green 2b	225	1,375	03	1974
164	Lee Green 2b	225	1,375	03	1974
165	Lee Green 2b	225	1,375	03	1974
166	Lee Green 2b	225	1,375	03	1974
167	Lee Green 2b	225	1,375	03	1974
168	Lee Green 2b	225	1,375	03	1974
169	Lee Green 2b	225	1,375	03	1974
170	Lee Green 2b	225	1,375	03	1974
171	Lee Green 2b	225	1,375	03	1974
172	Lee Green 2b	225	1,375	03	1974
173	Lee Green 2b	225	1,375	03	1974
174	Lee Green 2b	225	1,375	03	1974
175	Lee Green 2b	225	1,375	03	1974
176	Lee Green 2b	225	1,375	03	1974
177	Lee Green 2b	225	1,375	03	1974
178	Lee Green 2b	225	1,375	03	1974
179	Lee Green 2b	225	1,375	03	1974
180	Lee Green 2b	225	1,375	03	1974
181	Lee Green 2b	225	1,375	03	1974
182	Lee Green 2b	225	1,375	03	1974
183	Lee Green 2b	225	1,375	03	1974
184	Lee Green 2b	225	1,375	03	1974
185	Lee Green 2b	225	1,375	03	1974
186	Lee Green 2b	225	1,375	03	1974
187	Lee Green 2b	225	1,375	03	1974
188	Lee Green 2b	225	1,375	03	1974
189	Lee Green 2b	225	1,375	03	1974
190	Lee Green 2b	225	1,375	03	1974
191	Lee Green 2b	225	1,375	03	1974
192	Lee Green 2b	225	1,375	03	1974
193	Lee Green 2b	225	1,375	03	1974
194	Lee Green 2b	225	1,375	03	1974
195	Lee Green 2b	225	1,375	03	1974
196	Lee Green 2b	225	1,375	03	1974
197	Lee Green 2b	225	1,375	03	1974
198	Lee Green 2b	225	1,375	03	1974
199	Lee Green 2b	225	1,375	03	1974
200	Lee Green 2b	225	1,375	03	1974

180	Metal Box	279	-1	5.7	3.0
141	Metal Closures	222		116.17	0.9
78	Manometer Tube	141	+5	124	2.2

126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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255	Parsons	418	43	78.5	3.0	2
13	Power Corp.	24	—	—	—	—
292	Power Design 50p	458	—	16.5	1.5	4

[illegible]

127 1/2 Smith & Neph. 10p	198	1	28	23	2
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220	Johnnie Mae Gray	153	22	23	28
221	Johnnie Mae Gray	153	22	21	18
222	Squander	262	65	43	31
223	Squander	262	65	43	31
224	Squander	262	65	43	31
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E225	De Warrick AB FMO	230	NZ00	2.7	2.7
62	Waterford Glass Sp.	234	Q13%	8.4	3.1
	For Waterford's	194	2006.2%	2.0	2.0

[illegible]

MINES—Continued[illegible]**THIRD MARKET**[illegible]

NOTE

[illegible]

SHIPPING

[illegible]

LONDON STOCK EXCHANGE

Takeover speculation drives equities higher but Gilts turn down as pound eases

Account Dealing Dates
 *First Declared Last Account
 Dealings Date Dealings Day
 Sept 14 Sept 24 Sept 25 Oct 5
 Sept 28 Oct 5 Oct 9 Oct 19
 Oct 12 Oct 22 Oct 23 Nov 2
 *New share dealings may take place from 9.00 am two business days earlier.

London's stock markets were buoyed by several sizeable takeover offers and similar speculative developments yesterday. Active trading in several major sectors of the market brought a mid-session gain of 19 FT-SE points, before a profit-taking reaction clipped gains towards the close.

Government bonds, which had gained 4 of a point in early trading, closed with net falls of 1/2 after the pound backed away from the DM 3.00 mark, which is now regarded in the Gilts market as an official barrier.

The stock market rose strongly in the first half of the session when a batch of bid or speculative developments sent banks, oils and food shares racing ahead. But the market's gain was cut back towards the close as the Gilts sector wilted. Insurance shares tumbled in late dealings on the reports of a major earthquake in California. Royal Insurance, with significant involvement in the Californian insurance market, dipped sharply.

Interest in British Petroleum remained thin as the market braced itself for the huge privatisation sale.

The FT-SE 100 index ended a net 19.2 points up at 2,373.8, while the FT Ordinary Index at 1860.9 was 7.2 up.

Gold shares were a shade easier in London as traders took a cautious view of the suggestion by Mr James Baker, the US Treasury Secretary, that gold should play a more prominent role in global economic policies.

There was very little selling pressure on gold shares, although any return of attempts to "manage" world bullion prices would be received unfavourably in the stock markets.

A takeover offer worth £767m from AB Foods for S and W Berisford, reviving one of the market's longest running speculative situations, set the food and consumer sector alight. AB Foods already has a 22.7 per cent stake in Berisford, taken earlier this year after two previous bids for the commodities group failed to reach fruition.

The financial sector also returned to the centre of the speculative area after shares in Hill Samuel were suspended pending a statement from the board—the City assumed that another bid was coming for Samuel which was recently rejected by Union Bank of Switzerland.

Recent activity among the second line oil stocks was highlighted by the announcement that Burmah Oil and SHV Holdings of Holland have opened bid discussions with Celor Oil.

Gilts received a boost at the opening from a 15m deal involving 3,000 Gilts futures contract as

a major US house switched out of US Treasuries and into UK Government bonds.

But the market slackened off after the deal was concluded, and the close was "very disappointing," to quote a leading trader. With the US bond markets easier in early trading, and the pound lower, UK bonds shaded lower. However, selling was light and some small buyers showed interest at the lower levels.

The long-running saga for control of S. W. Berisford, the commodities group which owns British Sugar, took another surprise turn yesterday. Gary Watson's Associated British Foods is attempting to succeed where Hillsdown and Tate and Lyle both failed, and the Italian Ferruzzi group was compelled to reduce a strategic stake, which it eventually sold to AB Foods.

S. W. Berisford's shares surged above the 400p cash offer from AB Foods on thoughts that the company would put up a spirited defence.

The company's own request, ahead of a statement on the banks future. Analysts were confidently predicting the sale of Hill Samuel to the cash-rich TSB group who, they said, would sell part of the bank on; BZW were said to be the probable buyer of Hill Samuel's corporate finance department. A statement from Hill Samuel and TSB is expected this morning with details of the bid price of 800p a share, valuing Hill Samuel at around £750m.

Hill Samuel previously attracted bid intentions, subsequently abandoned, from Union Bank of Switzerland, and rejected an approach from advertising giant Saatchi & Saatchi.

Recent rumours on impending takeover developments at Celor Gaspart of the old Imperial Chemicals Group have been on target as it was revealed that Burmah and SHV Holdings are involved in talks which could result in them making a joint bid for Celor at a "modest premium" to Wednesday's closing price of 500p. Celor jumped 49 to 549p yesterday after the 29p rise on Wednesday.

Burmah currently has a 2.4 per cent stake in Celor and SHV a 20.9 per cent stake. But dealers said Burmah would have to pay a "minimum" of 600p a share and

possibly as much as 700p to win control of Celor. A leading oil share analyst said "an opening bid by Burmah/SHV would almost certainly not be the end of the story."

Ultramar shares soared from 275p to 303p during early trading when a single deal of 1.5m shares appeared on the Stock Exchange ticker, triggering a wave of speculation. The share closed at 292p, up another 1m-plus shares after the morning's recent rumours that the company is being staked by a UK independent, who could be seeking to acquire Nor Brierley's 13 per cent stake in Ultramar.

Howard Pearl, Finance Co-ordinator at Ultramar, said the company had received a bid from a "very attractive" investor, pointing out that the bid was for a three-day gain of 94p—still on the story that Dewey Warren will bid for the group in order to acquire Ultramar's 20.8 per cent stake in Morgan Grenfell.

Consumer electronics group Alpha staged a successful market debut, the shares opening at 153p and advancing to 161p, compared with a placing of 130p. USM newcomer Marcell, a computer consultancy concern, touched 128p prior to closing at 121p which compares with a placing price of 115p.

Blue Circle attracted good support, the shares rising 14 to 489p on reports that the company had posted a 98 per cent profit increase for its Atlanta, Georgia operations. Vague rumours that another player may enter the plasterboard market prompted further selling, with shares at 121p which compares with a placing price of 115p.

Philking attested a penny cheaper at 388p said active trading; some 11m shares changed hands, including a block of 4.5m shares at 388p, brokers' clearance

FINANCIAL TIMES STOCK INDICES											
	Oct. 1	Oct. 2	Oct. 3	Oct. 4	Oct. 5	Oct. 6	Oct. 7	Oct. 8	Oct. 9	Oct. 10	Oct. 11
Government Secs	85.72	85.35	85.31	85.86	85.45	82.30	92.32	84.49	127.4	49.18	49.18
Fixed Interest	91.84	91.61	91.76	92.02	91.44	90.25	99.12	90.23	105.4	50.93	50.93
Ordinary V	1860.9	1853.7	1849.8	1851.3	1851.6	1846.0	1,928.2	1,928.2	1,928.2	1,928.2	1,928.2
Gold Mines	444.9	453.1	456.9	462.6	467.1	317.2	497.5	288.2	734.7	43.5	43.5
Ord. Div. Yield	3.16	3.16	3.17	3.16	3.19	4.05	—	—	—	—	—
Earnings Yld. % (all)	7.72	7.74	7.75	7.73	7.81	10.20	—	—	—	—	—
P/E Ratio (all)	15.86	15.82	15.80	15.82	15.66	12.02	—	—	—	—	—
SEAG Yield (5m)	37.99	35.86	37.58	37.45	37.17	—	—	—	—	—	—
Equity Turnover (%)	—	189.17	214.61	129.58	109.22	531.22	—	—	—	—	—
Equity Traded (m)	—	42,828	44,046	45,316	51,749	18,749	—	—	—	—	—
Shares Traded (m)	—	445.6	73.7	552.6	617.7	246.2	—	—	—	—	—

Opening 1860.9, 10 am 1864.4, 11 am 1869.4, Noon 1869.4, 1 pm 1871.1, 2 pm 1870.1, 3 pm 1867.5, 4 pm 1863.9
 Day's High 1871.4 Day's Low 1860.0. Bank 100, 125/102, Fixed Int. 1928, Ordinary 17/25, Gold Mines 129/25, SE Activity 17/4, NH=15.64.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8025

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possibly as much as 700p to win control of Celor. A leading oil share analyst said "an opening bid by Burmah/SHV would almost certainly not be the end of the story."

Ultramar shares soared from 275p to 303p during early trading when a single deal of 1.5m shares appeared on the Stock Exchange ticker, triggering a wave of speculation. The share closed at 292p, up another 1m-plus shares after the morning's recent rumours that the company is being staked by a UK independent, who could be seeking to acquire Nor Brierley's 13 per cent stake in Ultramar.

Howard Pearl, Finance Co-ordinator at Ultramar, said the company had received a bid from a "very attractive" investor, pointing out that the bid was for a three-day gain of 94p—still on the story that Dewey Warren will bid for the group in order to acquire Ultramar's 20.8 per cent stake in Morgan Grenfell.

Consumer electronics group Alpha staged a successful market debut, the shares opening at 153p and advancing to 161p, compared with a placing of 130p. USM newcomer Marcell, a computer consultancy concern, touched 128p prior to closing at 121p which compares with a placing price of 115p.

Blue Circle attracted good support, the shares rising 14 to 489p on reports that the company had posted a 98 per cent profit increase for its Atlanta, Georgia operations. Vague rumours that another player may enter the plasterboard market prompted further selling, with shares at 121p which compares with a placing price of 115p.

Philking attested a penny cheaper at 388p said active trading; some 11m shares changed hands, including a block of 4.5m shares at 388p, brokers' clearance

The market's immediate reaction was to slash Empire shares to 203p; "cheap" support was evident at the lower levels, however, as analysts concentrated on the group's recovery prospects and takeover attractions, the former being aided by the interim dividend which was increased to 1.65p per share, and the close was just 1/2 lower on balance at 204p. 618, regarded in some circles as a prospective bidder, dipped below 214 at one stage before rallying to 214p. Freeman's finished 3 1/2 lower at 235p.

Other retailers, by way of contrast, generally tended higher. Sear's advanced 5 1/2 to 175p reflecting occasional interest in the front of next Tuesday's interim statement. Chase Manhattan Securities are anticipating profits of 287m. Etem rose 16 to 322p as a 10 per cent increase in mid-year earnings exceeded most expectations. Buyers also returned for perennial speculative favourites Underwoods, which put on 20 to 215p with the aid of Press mention and William Bedford, also 20 to the good at 218p.

Electronics group Ferranti jumped 10 1/2 to 137 1/2 after a turnover of over 14m shares with speculators chasing the shares higher amid rumours that a bid from either STC, British Aerospace or Smiths Industries is imminent. Ferranti last week announced an agreed share exchange bid for International Signal.

Rolls-Royce showed no further effects of the branch shareholdings limits. Brokers reported institutional demand along with renewed inquiries from private investors. Sear's, up 11 at 221p, and United Spirits, up 10 at 130p, still reflecting a buy recommendation. EMI improved 2 1/2 more to 261p. Scrimgeour Vickers rates the stock a very attractive situation, pointing out its most able management and high quality business portfolio.

The offer for S. W. Berisford put the focus back on the food sector. Numerous stocks enjoyed enhanced activity and the list of double-figure rises was too long to mention, embracing top-quality and secondary issues.

NEW HIGHS AND LOWS FOR 1987

AMERICANS (1), BANKS (2), BREWERS (3), BUILDINGS (4), CLOTHING (5), CONSUMER GOODS (6), ELECTRICALS (7), ENGINEERING (8), FOODS (9), FURNITURE (10), GENERAL (11), INSURANCE (12), LEISURE (13), METALS (14), NEWSPAPERS (15), OILS (16), PROPERTY (17), SHIPPING (18), SHOES (19), TEXTILES (20), TOYS (21), TRAVEL (22), TYRES (23), UTILITIES (24), VEHICLES (25), WINE (26), YACHTS (27).

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CANADA

Indices

NEW YORK AMT DOLLARS

	Oct 1	Sept 30	Sept 28	Sept 26	Sept 25	Sept 24	1986/87		Stock Completion	
							High	Low		
Industrials	2,617.33	2,589.29	2,598.57	2,601.58	2,570.17	2,588.42	2,722.42 (5/4/87)	2,627.31 (5/4/87)	2,722.42	41.22 (5/1/75)
Transport	1,068.84	1,047.88	1,037.34	1,038.88	1,032.18	1,027.78	1,091.16 (5/1/87)	1,016.39 (1/4/87)	1,101.16	12.32 (5/1/75)
Utilities	188.55	188.85	188.85	187.42	185.23	188.18	227.83 (2/1/87)	181.38 (5/4/87)	227.83	18.5 (5/4/75)
Trading vol	854.18	183.878	173.835	188.878	137.85	182.158	-	-	-	-
							Sept 25	Sept 18	Sept 11	Year Ago (Approx)
Ind Ind Yield %							2.88	2.73	2.63	3.57

STANDARD AND POOR'S

	Oct 1	Sept 30	Sept 28	Sept 26	Sept 25	Sept 24	1987		Stock Completion	
							High	Low		
Industrials	379.84	376.88	376.83	377.84	373.89	373.78	383.17 (5/8)	374.53 (2/1/87)	383.17	3.52 (2/16/82)
Companys	258.29	261.83	261.88	262.88	268.18	268.72	336.73 (5/8)	268.66 (2/1/87)	336.73	4.42 (1/6/82)
							Sept 25	Sept 18	Sept 8	Year Ago (Approx)
Ind div yield %							2.32	2.36	2.38	3.88
Ind. P/E Ratio							23.17	22.71	22.56	30.88
Long Gov Bond Yield							8.78	8.85	8.81	8.81

N.Y.S.E. ALL COMMON

	Oct 1	Sept 30	Sept 28	Sept 26	Sept 25	Sept 24	1987		Stock Completion	
							High	Low		
Indust	191.91	188.24	188.85	188.34	188.88	191.81				

INDICES AND FALLS

	Sept 30	Sept 28	Sept 26
Index traded	1,882	1,879	1,871
	862	821	886

	Oct. 1	Sep. 30	Sep. 29	Sep. 28	1987					
					High	Low				
AUSTRALIA All Ord (CZ100)	2218.5	2267.6	2263.0	2276.6	2365.9 (2/1/86)	2406.7 (2/1/86)				
Metals & Minerals (CZ100)	1368.6	1408.9	1427.0							
AUSTRIA Credit Index (CZ120)	228.23	227.84	227.51	226.87	232.19 (2/2/86)	182.21 (1/9/86)				
BELGIUM Brussels Sec (CZ100)	5113.28	5128.56	5140.42	5147.45	5413.50 (1/3/86)	5987.85 (9/1/86)				
DENMARK Depository Sec (CZ100)	0	206.63	206.66	206.79	229.76 (2/28/86)	189.64 (5/1/86)				
FINLAND Unites General (CZ100)	646.5	646.5	646.8	642.6	650.6 (2/2/86)	425.2 (5/1/86)				
FRANCE CAC General (CZ100)	497.7	498.4	495.7	497.6	466.4 (2/25/86)	392.8 (2/1/86)				
Ind. Transp (CZ100)	0	185.8	187.8	188.6	117.2 (2/25/86)	97.8 (2/1/86)				
GERMANY FAZ Index (CZ100)	645.88	639.68	642.89	638.34	678.66 (5/1/86)	538.32 (1/29/86)				
Commodity Index (CZ100)	7985.4	7964.2	7976.3	7954.3	2063.10 (2/1/86)	1633.8 (1/29/86)				
HONG KONG Hang Seng Index (CZ100)	5949.73	5945.64	5899.48	5894.65	5949.73 (2/1/86)	2649.88 (2/1/86)				
ITALY Borsa Com. Ind (CZ100)	635.14	640.64	639.26	640.47	767.34 (2/1/86)	588.83 (1/29/86)				
JAPAN** Nikkei (CZ100)	25121.24	25013.63	24998.0	24987.3	26118.62 (2/1/86)	18544.0 (1/31/86)				
Value SE New (CZ100)	2326.25	2336.51	2336.51	2327.3	2258.36 (1/1/86)	1557.48 (1/31/86)				
NETHERLANDS Amst. Index (CZ100)	0	311.2	0	311.5	354.10 (2/1/86)	257.7 (2/1/86)				
AFP CES Index (CZ100)	0	299.2	0	299.0	280.00 (2/1/86)	293.7 (2/1/86)				
NORWAY Borse SE (CZ100)	562.26	560.88	562.38	555.90	592.40 (2/1/86)	561.98 (2/1/86)				
SINGAPORE Straits Times (CZ100)	1402.10	1398.28	1411.51	1406.99	1505.40 (2/1/86)	899.08 (2/1/86)				
SOUTH AFRICA JSE Gold (CZ100)	0	2271.0	2270.0	2300.0	2499.1 (2/1/86)	2366.0 (1/29/86)				

Good	Value	High	Low	Cost	Stock	Good	Value	High	Low	Cost	Stock
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LONDON

Chief price changes

(in pence unless otherwise indicated)

RISES:

Assae Brit. Foods	370	+27	Color Gr.	540	+40
Berisford (S & W)	425	+78	Eng. China Clys	579	+13
Bl. Circle Inds.	469	+14	Etam	332	+16

Ferranti	137 1/2	+10 1/2	Rile Ryne	211	+ 5 1/2
Hogg Rob & G.M.	233	+11	Murray (Sand.)	232	+47
It. Johnsen	241	+10	Staveley Inds.	221	+11
Midland Bk	548	+10	Traf. Hise	410	+12
Morg. Grenfell	588	+29	Ultramar	299	+20
Northern Foods	300	+10	Willis Faber	430	+20
Penckley Prop	448	+10 1/2			
RHIM	386	+11	FALLS:		
Reed Intl.	609	+15	BPP Inds.	348	- 6

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Continued on Page 51


AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Sis 100s	High	Low	Close	Change
7 ³ / ₈				R	R		
13 ¹ / ₂ - 1 ₄	RRW	.10	100	29	7	7	7 - 1 ₈

Stock	High	Low	Last	Chg
Karlsruhe	256	194	18	-
Kaydon	100	20	314	+
Kellogg	100	132	214	+
Kempco	50	1822	321	+
Kennedy	40	16	174	+
Kincaid	20	234	174	+
Kinder	400	10294	15	-
Kings	10	10	10	-
Krueger	20	12003	10	-
Kulicke	40	47	16	-
LAGAR	100	1062	12	-
LGI Lg	10	194242	13	-
Lac	10	264	214	-
LacPete	38	264	214	-
LacPete	38	264	214	-
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Nasdaq national market, closing prices

Continued from Page 51

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FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Fourth quarter opens positively as buyers return

WALL STREET

INVESTORS started the new quarter in a more positive frame of mind yesterday, pushing up Wall Street stock prices on moderately heavy trading volume, writes Roderick Oram in New York.

Credit markets in contrast continued to find few buyers and bond prices drifted lower.

The Dow Jones industrial average overcame a hesitant start to begin the rally in mid-morning. It closed up 42.92 at 2,639.20. Broader market indices enjoyed comparable upturns with the Standard & Poor's 500 adding 5.50 to 329.33 and the New York Stock Exchange composite index rising 2.73 to 182.97.

NYSE volume was 194.5m shares with advancing issues outpacing the number declining by a ratio of two-to-one. Traders said institutional investors showed interest in buying stocks after weathering the recent price correction. The Dow industrials fell 2.5 per cent in September and the New York stock exchange composite index fell 2.3 per cent.

Over the past 27 years, bearish Septembers have been followed by bullish fourth quarters eight out of 10 times, according to "Smart Money," a stock market newsletter.

However, many traders expect the market to be slightly erratic over the next few weeks as it digests reports of third-quarter corporate earnings.

In yesterday's trading, CBS fell \$5 to \$220.40 after its board postponed a decision on the offer from Sony, unchanged at \$37.75, to buy its records and music division. CBS said it would consider alternative proposals at its October 14 board meeting. The US group's share price soared 9% on Wednesday in anticipation CBS would accept the Sony offer.

Coca-Cola added \$14 to \$49.75 and Tri-Star Pictures added \$4 to \$15.75. The two boards voted to combine their entertainment businesses in exchange for newly issued Tri-Star stock, lifting Coke's share of Tri-Star's stock from 36.9 per cent to 49 per cent once the Tri-Star stock is issued to Coke shareholders as a one-time dividend.

IBP was the third most active NYSE stock with 2.5m traded on its first day of trading with the price unchanged from its offer price of \$19. Occidental Petroleum, off 5% to \$33.75, sold 21.5m shares equal to about 47 per cent of the equity of the meat packer. Occidental had initially hoped to get between \$19 and \$22 per share for the company,

formerly called Iowa Beef Processors, which it bought for \$800m in 1981.

Union Carbide was the second most active NYSE stock, rising 5 3/4% to \$39.00 on more than 2.8m shares traded. Salomon Brothers analyst predicted the chemical group's earnings would rise dramatically next year.

National Semiconductor, the most active NYSE stock, jumped 1 1/2% to \$20.75 on 3.5m shares.

Bond prices fell about half a point during the morning after their modest pickup late on Wednesday. A partial recovery later in the session left the 8.75 per cent benchmark Treasury long bond off 1/8 of a point at 91 1/8 yielding 9.78 per cent by late afternoon.

The erosion of prices, attributed to a lack of retail demand, was worsened by a sell-off in the dollar during the day. In addition, dealers were being cautious ahead of today's employment figures in which a rise of some 190,000 employed people is generally expected and next week's Treasury auction of four and seven-year notes.

The Fed funds rate began to ease from its recently high levels caused by end-of-quarter pressures on the banking system. The rate pared briefly yesterday morning to 30 per cent when the Fed Wire, an electronic funds transfer system, was shut down by computer problems until mid-morning. By late afternoon the rate was back at a normal level of 7 1/2 per cent.

Both sets of economic figures released yesterday differed widely from forecasts but had negligible effect on the markets. Construction spending rose 1.6 per cent in August compared with estimates of no rise. It is, however, a volatile series. Factory goods orders fell 1.7 per cent in August, more sharply than expected.

CANADA

GOLDS extended their fall on the lower bullion price and banks also softened, depressing Toronto share prices.

Placer Dome and Lac Minerals both slipped by C\$1 to C\$25.4 and C\$18.8 respectively among golds. International Corona was C\$4 off at C\$48.

Of the lower banks, Bank of Nova Scotia fell C\$4 to C\$15 following news of its offer of investment in Occidental Petroleum. Royal Bank was off C\$3 to C\$32 and Toronto Dominion by the same amount at C\$31.4.

Montreal and Vancouver were slightly lower.

GOLD STOCKS drifted lower in response to the weaker bullion price in moderate trade with selling generally light.

Among the heavyweight golds, Vaal Reef dropped R12 to R439, though other losses were more

modest. Elsberg shed R1 to R17 and Village 20 cents to R5.50. Centor's good run faltered with a R1.50 dip to R74.25. Other miners also eased. Rustenburg Platinum by 50 cents to R56.50 and Vanta Vanadium by 40 cents to R9.50.

UK investment rule faces delay

BY CLIVE WOLMAN IN LONDON

SIR Kenneth Berrill, chairman of the UK Securities and Investments Board, the chief City of London regulatory authority, yesterday backed the mounting pressure for a year's further delay in introducing a crucial section of the new regulatory framework.

Sir Kenneth also unveiled proposed regulations which would change the method of fixing the prices for buying and selling units in unit trusts and limit the scope of unit trust managers to make dealing profits at the expense of investors.

In August, the Trade and Industry Department (DTI) announced that it intended to bring into force all the provisions of the 1986 Financial Services Act by next April. However, since then the new self-regulating organisations (SROs), in particular The Securities Association (TSA), as well as several City

institutions, have lobbied the DTI, asking for a delay in introducing section 62.

This section allows investors to sue an investment business for losses they have suffered as a consequence of a breach in any of the SRO rules. According to TSA chairman Mr Andrew Large, it threatens to make the new system excessively litigious.

Sir Kenneth suggested yesterday that at least a year should be allowed to elapse after the investor protection rules are introduced next April before they are given the legal backing of section 62.

His primary concern, he said, was that large institutions would exploit section 62 against investment firms unfairly, but he agreed that small investors would also be affected by the delay. However, the SIB could still allow investors to receive compensation under another

section, 61, of the act during the proposed transitional year.

The most important proposed change under the new draft rules on unit trusts is to end the practice by which investors can buy and sell units each day at prices quoted in the morning's newspapers. The current rules allow experienced speculators, and sometimes the investment managers themselves, to exploit major stock market movements during the course of the day and buy or sell units at too favourable prices at the expense of other unit-holders.

The new rules will make buying units similar to buying shares. The prices at which units can be bought or sold will be adjusted during the course of the day so that investors will not know the prices in advance when placing their orders.

Feature, Page 12; Editorial Comment, Page 26

Ansbacher to make rights issue

BY HUGO DIXON IN LONDON

HENRY ANSBACHER, the merchant banking group, yesterday announced a £69m (\$112m) rights issue which more than doubles its net worth to £125m.

The move is designed to enable the group to compete in today's financial markets, where a bank's ability to commit large amounts of its own money for underwriting securities issues and lending has become increasingly important.

A linked decision to strengthen the board of Ansbacher's merchant banking arm, also announced yesterday, is intended to put an end to the bad memories of the Guinness affair. Among those appointed to the board is Mr Mark Phyllips-Adams. He replaces Lord Patrick Spens, who had to resign over the affair.

Lord Spens, ex-managing director for corporate finance, was one of

those involved in arranging a controversial share-support operation for Guinness during its bid last year for Distillers.

"The idea of the rights issue was to re-establish Ansbacher as a serious player," said Mr Richard Fenwick, group chief executive. It would now be able to make larger loans to clients and take bigger deposits.

A particular problem has been a Bank of England rule which limits the amount of money a bank can lend to each client to 10 per cent of the bank's capital. The bank will now have disclosed capital of £72m.

Although this still leaves Ansbacher considerably smaller than the largest of the UK merchant banks such as Warburgs and Morgan Grenfell, it is now a small-to-medium bank rather than a small one. Ansbacher hopes this will change the number of institutions

which think it is capable of servicing their needs.

What is left of the rights issue will be used to expand the group's insurance broking side and pay off the debt on Ansbacher's headquarters in the City of London.

The rights issue is a mixture of ordinary shares and convertible subordinated loan stock. For every 20 ordinary shares they hold, shareholders will be offered a unit consisting of six new shares at 82p each and £5 nominal of convertible loan stock. The issue price for each unit will be £3.92.

Ansbacher's four major shareholders - Groupe Bruxelles Lambert, Paragon, Banque Internationale à Luxembourg and Wafa Interinvest - which account for 73 per cent of the equity, have agreed to take up their rights in full. Mr Robert Maxwell, who has 9.9 per cent, is also said to support the issue.

EUROPE

Currency stability aids broad recovery

London

AN OVERNIGHT improvement on Wall Street and the firmer dollar lent support to share prices in Europe yesterday. Major bourses responded happily to steadier exchange rates with West German and Swiss blue chips and banks posting good gains.

Frankfurt was led sharply higher by broad-based rallies in blue chips, chemicals and electrical issues. The Commerzbank index rebounded with a 2.2 rise to 1,988.4 as the steady dollar helped renew investor confidence at the start of a new quarter.

Chemicals were actively sought and Bayer and BASF surged to year-highs. They advanced DM12 and DM6.10 to DM373.50 and DM344.90 respectively. Hoechst gained DM9.20 to DM330 and pharmaceutical Schering was up DM5 to DM614.

In banks, Deutsche Bank advanced DM7.50 to DM97.75, Dresdner rose DM5 to DM385, Commerzbank added DM4 to DM305, BHF advanced DM10.50 to DM495 and Bayernpho gained DM9 to DM517.

German bonds ended lower but the Bundesbank's average yield of public paper rose to 8.21 per cent from 8.30 per cent on Wednesday due to a statistical adjustment made at the start of each month.

Zurich picked up after a bout of profit-taking the previous day. Wall Street's slight overnight recovery lifted prices in fairly active trading. The Credit Suisse index advanced 8.8 to 831.40 as selected banks, financials and leading industrials climbed.

Swiss Bank Corp. gained SF4 to SF51.4, Credit Suisse was up SF30 to SF34.90 and Swiss Volksbank rose SF4.5 to SF23.70. Amsterdam ended slightly higher in quiet trading as a firmer dollar sparked some late buying. The ANP-CBS index closed 0.2 higher at 102.3, helped by gains in blue chips.

Akzo added F1.10 to F176.80. Unilever gained 60 cents to F139.90 and KLM was up 40 cents at F144.80. Royal Dutch and Phillips were unchanged at F127.50 and F151.80 respectively.

TOKYO

THE PROSPECT of higher interest rates depressed the bond market which in turn drove equities sharply lower in Tokyo yesterday.

The Nikkei average tumbled, 289.14 to 25,721.74, its first fall in seven sessions. Turnover, however, swelled from Wednesday's 1.29bn to 1.48bn shares. Declines outpaced advances by 574 to 343, with 124 issues unchanged.

The broad slide stemmed largely from heavy institutional selling of large-capitalisation steel, shipbuilding and chemical stocks triggered by reports that a Bank of Japan source had said the central bank is considering raising its official discount rate.

Institutions unloaded large-capital in big lots to take profits as they grew nervous about strong recent gains among the issues. The benchmark index had gained 1,144 points in six sessions until Wednesday.

Nippon Steel remained the most active stock, with 16.18m shares

STOCK MARKETS

were enlisted by several sizeable take-over offers and similar speculation. Active trading in several major sectors helped lift prices.

The FT-SE 100 index ended a net 7.8 points up at 2,373.8, while the FT Ordinary index advanced 7.2 to 1,869.9. Details, Page 48

Stockholm climbed to a record, spurred by a strong rise in the forestry sector and rumours of a major Trelleborg-Boliden deal after yesterday's suspension.

The Veckans Affärer all-share index rose 21.6 to 1,200.9 in heavy trading. Oslo rose on hopes that the Government could soon scrap supplementary reserve requirements, thus giving leeway for lower interest rates. The market had discounted yesterday's announcement that the Government planned to impose a 1 per cent turnover tax (Norway, Page 32).

Paris moved lower for its sixth consecutive session as concern about high interest rates and grim unemployment forecasts weighed on the market. The CAC index shed 2.7 to 407.7 with some bargain-hunting preventing a steeper decline.

Brussels was quietly mixed as most operators remained sidelined amid continuing uncertainty over the direction of interest rates. This was compounded by the threat of renewed tensions within Belgium's coalition government over a language dispute.

The Brussels stock index lost 15 to 5,113.25 in low volume.

Milan slipped lower with moderate falls across the board in profit-taking. The Milan stock index (MIB) lost 8 to 861 in thin trade as investors departed. Madrid climbed higher in active trading as utilities began a series of cash-calls. The general index added 1.72 to 312.96.

ASIA

Money rate fears spark sell-off

traded, but tumbled Y16 to Y416. Sumitomo Metal Industries, third best with 43.09m shares, fell Y20 to Y318, Mitsubishi Heavy Industries, sixth with 29.25m shares, Y23 to Y650 and Kawasaki Steel, ninth with 24.39m shares, Y17 to Y322.

Large-capital chemicals also lost strength almost across the board, with Showa Denko, second with 70.36m shares, weakening Y12 to Y775, Mitsui Toatsu Chemicals, eighth with 26.12m shares, Y14 to Y765 and Ishihara Sangyo Y19 to Y831.

In sympathy, high-tech stocks plunged on a wide front. Hitachi, fourth with 39.77m shares, shed Y80 to Y460, Toshiba, fifth with 39.04m shares, Y32 to Y785, NEC Y80 to Y2,370, Matsushita Electric Industrial Y80 to Y2,730 and Sony Y40 to Y5,500.

Bonds fluctuated widely, reflecting uncertainty about interest rates. Contrasting with rumours emanating from the Bank of Japan were reports that an official of the Ministry of Finance had denied the possibility of a rise in the key lending rate.

The yield on the benchmark 5.1

per cent government bond due in June 1996 opened at 5.780 per cent against Wednesday's 5.725 per cent finish and closed higher at 5.910 per cent in block trading on the Tokyo Stock Exchange. It later surged further to 5.960 per cent in inter-dealer trading.

On the Osaka Securities Exchange (OSE), the OSE stock average slid 72.37 points to 26,340.71 on a volume of 213.66m shares, up 26.06m shares from the previous day. The weak performance reflected lower high-tech prices.

HONG KONG

IN A CHOPPY session alternating between profit-taking and institutional buying, Hong Kong share prices edged marginally higher to a fresh record. The Hang Seng index closed up 6.09 at a peak of 3,949.73. Turnover was a heavy HK\$3.73bn against HK\$3.48bn on Wednesday.

The Cheung Kong group was lifted by speculative buying prior to imminent results, with Cheung Kong up 60 cents at HK\$13.80 and Hutchison Whampoa 40 cents stronger at HK\$15.50.

Jardine Strategic, though, fell 80 cents to HK\$13.90 following news that it had bought a 20 per cent stake in US broker Bear Stearns.

SINGAPORE

WITH NO fresh factors emerging to lend the market impetus, Singapore share prices vacillated narrowly to close slightly higher. The Straits Times industrial index added 3.87 to 1,402.15 in turnover of 13.5m shares, down from Wednesday's 18.1m.

Sime Darby pulled back 10 cents of Wednesday's falls to S\$3.50 in the day's busiest trade of 1m shares.

AUSTRALIA

A FURTHER slide in the gold price sent shares in Sydney sharply lower as the sell-off from the previous day gathered momentum. The All Ordinaries index dropped 30.5 to 2,218.8 in moderate turnover.

A fall in the Australian dollar worried foreign investors who withdrew from the market. Gold stocks were hardest hit

405 MILLION DM GAME

Our best ever - the new, greatly improved SÜDEUTSCHE KLASSENLOTTERIE's 82nd Prize Game gives you golden opportunities to win even more than ever before. In fact there are bigger, better and more prizes than in any of our previous series. Well over 437,000 guaranteed prizes with a total value of 405,610,000 DM will be raffled out of a mere 900,000 ticket numbers.

There will be 26 draws during the course of the series with the following total of guaranteed Top Prizes: 32 x 100,000 DM, 64 x 250,000 DM, 8 x 500,000 DM, 14 x 1,000,000 DM and 6 x 2,000,000 DM. And another 437,506 prizes ranging up to 80,000 DM complete our new offer. You will also find, that at the time when numbers are drawn and eliminated, the prizes are much larger than the actual stakes paid.

Making many happy winners is our business

... and opportunities in the SKL are really super. With a limited supply of only 900,000 ticket numbers in the game, we can offer you 437,592 prizes totalling well over 405 million DM will be raffled. This means: nearly every second number is a winner, which creates the mathematical probability to win by participating with at least three tickets with different numbers. One complete lottery (series), extending over a 6 month period, is divided into 6 classes. Each single class has 4 draws (one every Saturday) except the 6th (main) class which has 6 drawings running over a period of five weeks. The total of winning numbers and the value of prizes increase from class to class up to the last six draws of the series when six prizes of 2 million DM each will be raffled!

The lottery is state administered

This institution, sponsored by the Federal States of Baden-Württemberg, Bavaria, Hesse and Rhineland-Palatinate, is controlled by an official board of directors in Munich. The prize schedule is the basis of the lottery showing all the prizes and drawing dates. This is compiled and agreed to by the authorities involved before the series starts. All data shown hereon will be followed in detail. The draws are public and state controlled thus giving the assurance that all prizes are given to their rightful winners. Tickets are sold solely through lottery agents, who have to be appointed by the financial ministers of the Federal States concerned.

Prompt and efficient service for all clients

Each and every winner is informed. You will not only be sent the official winning lists along with the renewal tickets every four weeks, but we'll also notify you personally and in strictest confidence immediately whenever you win. As all our clients' records are kept solely in our office and under professional secrecy, nobody else will know about your participation in the lottery or possible winnings. All prizes are immediately paid out in full, free from German tax and according to your advice. All payments are made in any currency and to any address or person of your choice. Our service is worldwide - wherever there are postal facilities you can play our lottery and get your prize money.

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6 x 2 Million DM = 12,000,000 DM
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26 x 250,000 DM = 6,500,000 DM
32 x 100,000 DM = 3,200,000 DM
64 x 25,000 DM = 1,600,000 DM
84 x 25,000 DM = 2,100,000 DM
540 x 10,000 DM = 5,400,000 DM
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437,592 PRIZES AT A TOTAL AMOUNT OF 405,610,000 DM

Buy tickets and win!

Tickets are issued as full tickets, half tickets and smaller shares. All of them take part in the draws and have equal winning chances. But only full tickets receive 100% of the prize money. Fractions of shares, costing their respective parts of the stakes, are consequently only entitled to their corresponding portions of the prize money. However, the more tickets you play, the better your chances are of winning - and in order to keep it cheap - play fractions of tickets.

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Amount of enclosed cheque in DM or equivalent in US\$ or £ = DM

These DM prices COVER THE WHOLE SERIES of 6 months. Equivalents shown in US\$ and £ are only approximate and based on exchange rates as of 10.8.1987. Payment by DM bank draft drawn on a German bank is recommended and usually free of charge. If you pay by bank transfer, personal cheque, credit card or in foreign currencies, you must add charges. You can only be credited with the DM equivalent received. All cheques should be made payable to Mr. W. Wessel. If not enclosed, payments should be received here before 14.11.87. Should you order later, enclose your draft with order. Mail tickets to: Mr. W. Wessel, P.O. Box 104067, Kassel, Germany. Answer in German or in English.

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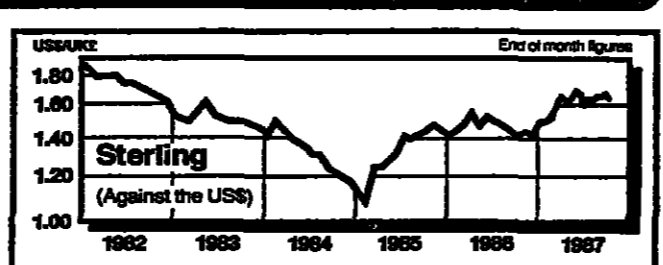
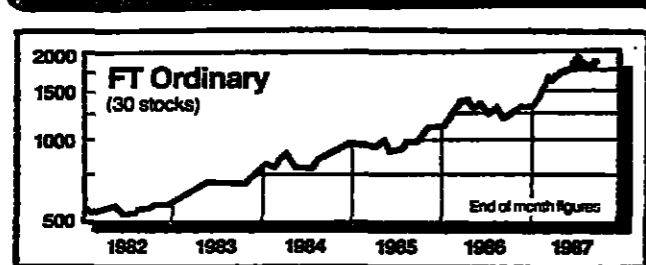
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KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Oct 1	Prev	Year
DJ Industrial	2,617.33	2,596.29	1,782.90
DJ Transport	1,056.64	1,047.68	815.13
DJ Utilities	126.55	126.95	199.93
S&P Comp	325.26	321.60	233.60

LONDON FT

	1980	1981	1982	1983	1984	1985	1986	1987
Oct 1	1,960.9	1,853.7	1,246.0	1,246.0	1,246.0	1,246.0	1,246.0	1,246.0
SE 100	2,373.8	2,366.0	1,578.3	1,578.3	1,578.3	1,578.3	1,578.3	1,578.3
A All-share	121.97	120.89	77.10	77.10	77.10	77.10	77.10	77.10
A 500	1,320.66	1,320.85	853.62	853.62	853.62	853.62	853.62	853.62
Gold mines	444.3	453.1	317.2	317.2	317.2	317.2	317.2	317.2
A Long pit	9.96	9.95	9.95	9.95	9.95	9.95	9.95	9.95
World Act Ind	136.44	136.79	96.43	96.43	96.43	96.43	96.43	96.43

TOKYO

	25.721.74	26,010.88	17,564.4
Tokyo SE	2,108.33	2,136.61	1,420.31

AUSTRALIA